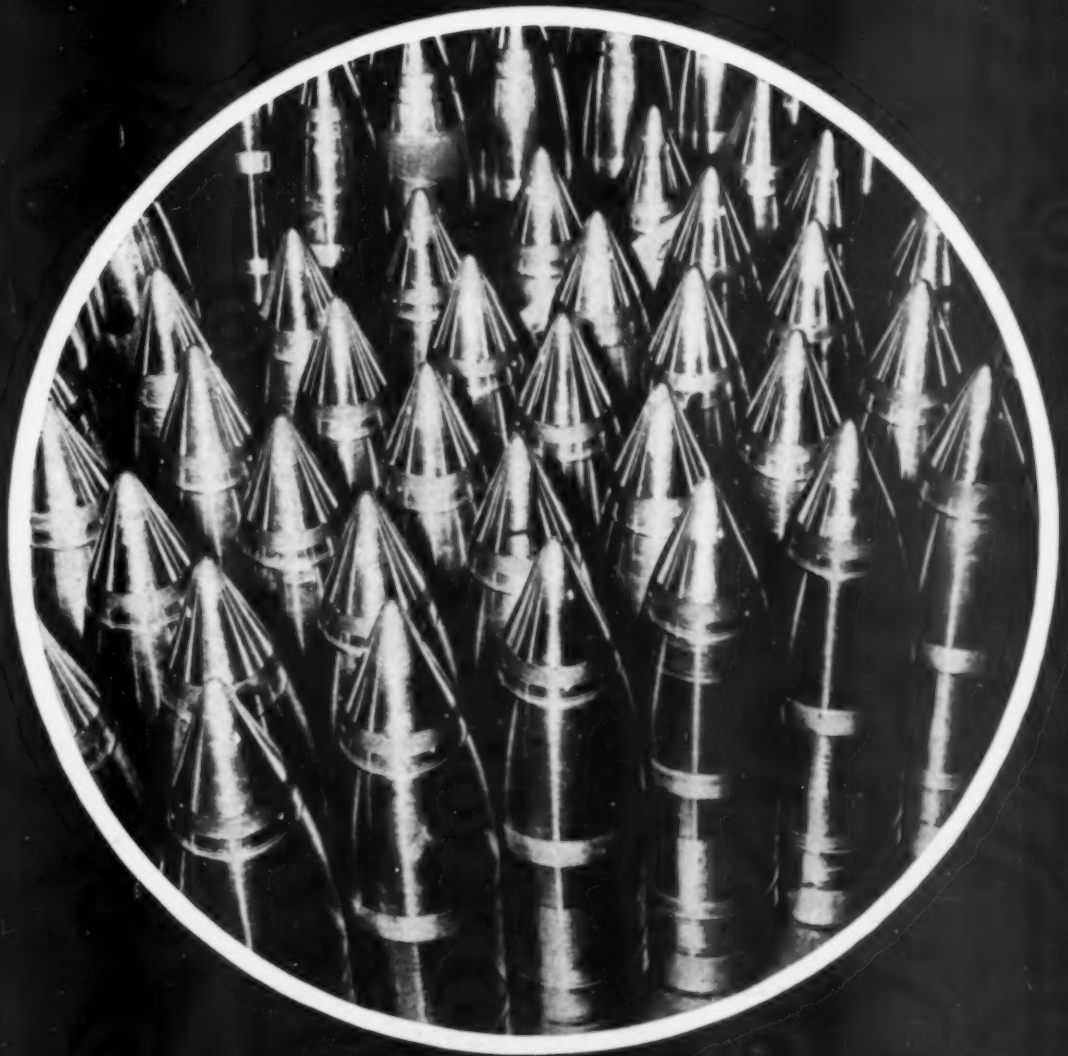


BUSINESS WEEK

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Dropped

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BUSINESS
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PUBLISHED BY THE MCGRAW HILL PUBLISHING COMPANY, INC. • TWENTY CENTS

"I'M TOUGH ON MOTORS!"



— Says E. H. Humberstone, Superintendent, Marble Cliff Quarries Co., Columbus, Ohio. And He Adds — "That's Why I Use Allis-Chalmers Lo-Maintenance Motors in Our Plants — 187 of Them!"

A STONE process plant is a good place to get the low-down on motor performance. Abrasive stone dust fills the air . . . loads are heavy . . . and costs are closely watched!

That's how conditions are at the Marble Cliff Quarries Company plant, Columbus, Ohio . . . conditions that can wreck an ordinary motor in a few months. And because Marble Cliff Quarries want uninterrupted service . . . long motor life . . . low power costs . . . they've equipped their plants with 187 Lo-Maintenance Motors . . . practically a 100% representation for Allis-Chalmers!

But read what E. H. Humberstone, superintendent, has to say —

"We make flux for the steel industry, and that means we must keep close watch on our costs. Often our motors run 24 hours a day, for

months at a time. Yes, I'm tough on motors — have to be! But for years we've given first choice to Lo-Maintenance Motors because we have found they give longer service with less servicing."

Your Best Buy is Allis-Chalmers!

What Mr. Humberstone says is being backed up by hundreds of other production men . . . men who have discovered what it means to use Allis-Chalmers equipment . . . the equipment that pays for itself!

For with Allis-Chalmers industrial equipment, executives everywhere are finding it the way to get increased production . . . to obtain lower oper-

Another true case history from the Allis-Chalmers files that proves "IT PAYS TO BUY THE EQUIPMENT THAT PAYS FOR ITSELF!"



ONE OF 187 ALLIS-CHALMERS Lo-Maintenance Motors in use in the Marble Cliff Quarries Co. plants, this 10-hp motor drives a double-deck screen . . . was installed in 1925. Service costs on this motor in fifteen years to date have been zero!

ating costs . . . to make their workers' jobs easier and safer . . . to protect profit margins!

Remember — Allis-Chalmers has been progressively meeting the problems of industry for over 90 years. For full details about Allis-Chalmers equipment and engineering service, write to Allis-Chalmers, Milwaukee, Wisconsin. Or call the production engineer in the district office near you. It's his job to see that you get the information you want! A 1294-A

PRODUCTS ENGINEERED TO PAY FOR THEMSELVES

Electrical Equipment • Power Transmission Equipment • Steam and Hydraulic Turbines • Blowers and Compressors • Engines and Condensers • Centrifugal Pumps • Flour and Cereal Mill Equipment • Boiler Feedwater Treatment • Saw Mill and Timber Preserving Machinery • Crushing, Cement, and Mining Machinery • Power Farming Machinery • Industrial Tractors and Road Machinery



ALLIS-CHALMERS

MILWAUKEE • WISCONSIN



Riding High

IN ALL BUT PRICE!

Coming or going, it's Class! And this Big Beauty has a New Fashion-Tone Interior—New Driving Ease of Powermatic Shifting—New 4-Way Step-Up in Performance! In all, 19 Great Advancements!

IT'S HARD to believe that low price buys such a carful of beauty, charm and luxury as you see in this big, 117" wheelbase Plymouth!

Inside, it's a *luxury* car—with an exquisite new *Fashion-Tone Interior*—a miracle of color, fabric and appointments.

● This Plymouth gives you a *four-way step-up in performance!* Increased horsepower, increased

torque, new transmission, new axle ratio. And you get a new Oil Bath Air Cleaner...new High-Duty Engine Bearings...new Body Sealing against dust, water, noise!

Plymouth's the "One" for '41... so get in touch with your nearby Plymouth dealer. PLYMOUTH DIVISION OF CHRYSLER CORPORATION.

Major Bowes, C.B.S., Thurs., 9-10 p.m., E.S.T.

See the New Plymouth Commercial Cars!



POWERMATIC SHIFTING—Vast reductions in driving effort—and, with Plymouth's new transmission, you'll enjoy actual elimination of certain of the usual shifting motions in normal driving.

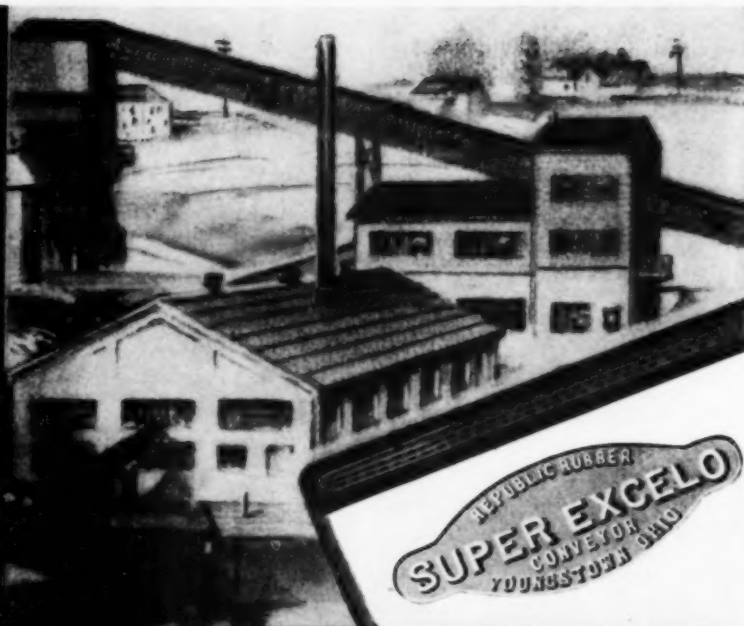


NEW VALUE YOU'LL ENJOY

COUNTERBALANCED TRUNK LID—goes up or down at a touch.

NEW SAFETY RIMS on wheels to prevent "throwing" of the tire in case of a blowout.

FRONT COIL SPRINGS, 6-inch tires, spring covers, on all models!



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SURE CURE FOR HAULAGE HEADACHES

Low cost per ton haulage is not the only advantage enjoyed by users of Republic Conveyor Belting. Uninterrupted, troublefree service—even under the most adverse conditions—is assured by the same ironclad construction that cuts materials handling costs through long-lived performance. All Republic Conveyor and Elevator Belts are Provar Processed ... permanently protected against mildew by an exclusive Republic treatment. REPUBLIC RUBBER DIVISION OF LEE RUBBER AND TIRE CORPORATION, YOUNGSTOWN, OHIO.

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(with which is combined The Annalist and the Magazine of Business). Published weekly by McGraw-Hill Publishing Company, Inc., James H. McGraw, Founder and Honorary Chairman. Publication office, 99-129 North Broadway, Albany, New York. Editorial and executive offices, 330 W. 42nd St., New York, N. Y. James H. McGraw, Jr., President; Howard Ehrlich, Executive Vice-President; Mason Britton, Vice-Chairman; B. R. Putnam, Treasurer; D. C. McGraw, Secretary; J. E. Blackburn, Jr., Director of Circulation. Allow at least ten days for change of address. All communications about subscriptions should be addressed to the Director of Circulation, 330 West 42nd Street, New York, N. Y.

Subscription rates—United States, Canada, Mexico and Central and South American countries \$5.00 a year, \$8.00 two years, \$10.00 for three years. Great Britain and British Possessions 46 shillings per year, 90 shillings for three years. All other countries \$7.50 for one year, \$15.00 for three years. 20¢ per copy. Entered as second class matter December 4, 1936 at the Post Office at Albany, N. Y., under 3, 1879. Printed in U. S. A. Copyright McGraw-Hill Publishing Company, Inc.

A MCGRAW-HILL PUBLICATION

Business Week • November 9, 1940

WASHINGTON BULLETIN

FOR BUSINESS BY BUSINESS WEEK'S WASHINGTON BUREAU

The elections do not greatly change the complexion of affairs in Washington, not at least as far as the immediate future is concerned. As was the case before the campaign began, national defense will provide a focus for national unity, a focus which will become less and less superficial as the heat of partisan politics diminishes.

Because the Democrats increased their strength in the House by a dozen seats, the Republicans will be unable to set up a controlling coalition with Southern Democrats, except as specific issues become a rallying point for the joint action of these groups, as was the case last session. However, the House gain doesn't mean that Congress is going to become the kind of a rubber stamp organization it was in the days of New Deal No. 1.

No Mandate

Roosevelt may sit tighter in the saddle, now that he has the "vote of confidence" that he asked for, but it is obvious from the strength of the minority vote which Willkie rolled up that there will be many to protest if he tries to stretch that vote into a mandate. Under those circumstances, Roosevelt may see wisdom in more teamwork with Congress, especially since unity is his own preachment.

Real danger lies not in a possible failure to achieve unity but in the prospect that national unity may blaze into national hysteria.

How the Polls Made Out

The acid test of the pre-election presidential polls shows that Elmo Roper (Fortune), who was the closest of all the pundits to the popular-vote breakdown in 1936, did it again this year. When all the official returns are in, Mr. Roper's final prediction of 55.2% of the major party vote for Roosevelt will probably prove to be less than one percentage point out of the way.

None of the surveys purporting to pick the electoral college division came close. The two best were Crossley and Gallup, in that order. Biggest bubble that was pricked this time, though small by comparison with the bust of the Literary Digest poll in 1936, was Emil Hurja's Pathfinder forecast. Hurja was popularly supposed to have provided the data on which Farley based his famous two-state prediction four years ago; this time Hurja forecast a Willkie victory, 353 to 178 electoral votes.

Commercial Planes Not Cut

Establishment of a priorities committee to coordinate commercial and military-plane production (BW—Nov 2'40, p18) does not, as you might think, point to early restrictions on manufacture of commercial transports. Quite the reverse. Some weeks ago the Army began pushing the idea of an embargo on commercial-plane production. The plan met opposition in the Defense Commission, and the dispute was finally appealed to the President himself.

F. D. R. stood with the commission and it was decided that "a healthy air transport system is an important adjunct to national defense." The priorities committee then was appointed, not so much to schedule production as to stand guard against Army attrition of commercial orders.

Commercial planes have another champion in the Civil Aeronautics Board, which has turned down proposals that it restrict expansion of the airlines. But if you're thinking of buying a plane to toot around in, you'd better move fast.

Voluntary and Elastic

Here's one reason the voluntary priorities system will stay voluntary for a while. Within the next few weeks British orders will be given preference ratings, probably junior to U. S. preferential orders, but taking precedence over non-military requirements. There is no legal authority for any such move. But you don't need legal authority for a voluntary agreement.

Foreign Trade Trimming

Look for fresh restrictions on foreign trade in the next two months—some from Washington due to its effort to assure adequate home supplies of defense equipment, and some from abroad, where nations are trying to conserve dollar exchange for essential defense purchases in the United States.

Expected almost immediately is a ruling by Ottawa reducing fruit, vegetable, electrical-appliance, and possibly gasoline imports. In a normal year, the Dominion imports about \$20,000,000 of fresh fruits and vegetables from the United States and \$5,000,000 of household appliances. With United States exports to Canada for the first nine months of this year amounting to \$512,000,000 (in comparison with \$335,000,000 in the same period of 1939) and

with our imports from Canada in the same period barely topping \$300,000,000, Ottawa claims that action can not much longer be delayed.

Tin Plan Still On

There's nothing to rumors that the U. S. has abandoned plans to lure a tin smelter to this country in favor of continued buying of tin from Britain so as to provide her with dollar credits. In fact, present ambitions are not only to get a smelter here for the defense emergency but to establish a permanent industry. That's one reason it is taking so long to decide how to go about the job.

A committee of specialists assigned to scrutinize eight formal proposals for a smelter submitted to the Defense Commission has begun to write its report and weeks of negotiation may crystallize into a written contract before long.

• **Ready to Ante**—Reserve Metals Co., an RFC subsidiary, already has completed a deal to get tin concentrates from Bolivia for five years, and is ready to ante up a loan of \$3,000,000 for the smelter.

Army Will Pre-Fab

Defense housing for civilian workers and married soldiers, now under way with award of contracts for the Fort Knox project, is small beer beside the U. S. Housing Authority's \$650,000,000 program of past years. However, its influence may go a lot further. Prospects are for a real experiment in prefabrication on a scale large enough to test the theory of mass-produced houses.

The Public Buildings Administration has already decided to put up 1,000 such units at San Diego. Housing Coordinator Palmer would like to see nearly all the \$150,000,000 or so of housing for industrial defense workers prefabricated. He's thinking not so much of economy as of demountability. After the emergency, these houses could be taken down and moved where needed.

Suppliers Wanted

Building trades are not expected to register their usual opposition to prefabrication because practically all defense housing will go into areas where there is already construction work aplenty. Big obstacle is the absence now of any large-scale suppliers. "Edu-

MODERN STEAM HEAT IN MONARCH LIFE INSURANCE BUILDING

Company's Home Office Building
Uses Webster Moderator System
to Assure Heating Comfort

SECURES EVEN TEMPERATURES

Controls Amount of Steam Used,
Reducing Underheating and
Overheating to Minimum

MEETS VARIED HEATING NEEDS

Springfield, Mass.—Steam was "turned off" when the new home office building of the Monarch Life Insurance Company was opened for community inspection on June 12, 1938.

But, starting with the first day of the 1938-39 heating season, this modern building has secured comfortable indoor temperatures regardless of outdoor weather conditions with a Webster Moderator System of Steam Heating.



Monarch Life Insurance Company Building,
Springfield, Mass.

Steam for the heating of the building is provided by two oil-fired boilers.

The Webster Moderator System controls the amount of steam used so that overheating and underheating are reduced to a minimum. Offices, recreation rooms and the employees' cafeteria receive steady, even, comfortable heat.

Webster Equipment installed includes the latest type Thermostatic Radiator Traps and Radiator Supply Valves, as well as Drip Traps for main drips and for winter air conditioning equipment.

Paul D. Bemis, of Hartford, Conn., served as Consulting Engineer for the Monarch Life Insurance Company. Installation of Webster System Equipment was made by the Holyoke Valve & Hydrant Co., of Holyoke, Mass.

The building was designed by Carl J. Malmfeldt, Hartford, Conn., architect. J. G. Roy & Sons Company, of Springfield, Mass., was the general contractor.

LOW HEATING COST

GET THIS BOOK . . . Read the fact stories about economy and comfort in the heating of 144 buildings. No exaggerated claims. No promises. Just 64 pages of heating results. Ask for "Performance Facts."

WARREN WEBSTER & CO., Camden, N. J.
Pioneers of the Vacuum System of Steam Heating
Representatives in 65 principal U. S. Cities—Est. 1888

cational orders" for 10 to 100 units will be awarded to most of the existing prefabricators to enable them to set up for larger orders.

• **Streamlined Tip**—Reports that Budd, builder of streamlined trains, will enter the housing field early next year suggest a possible source of house elements in real quantities.

Camp Broadcasts O.K.

The Army is looking with some favor upon the proposal of the broadcasting networks to stage favorite commercial programs at training camps but will clamp down strict rules on the character of advertising plugs. This is to keep sponsors from capitalizing on any tie-in with the military services. The radio industry has donated to date about \$1,000,000 worth of free time to Army recruiting, the conscription drive and mobilization of skilled workers.

To use radio broadcasting to the best advantage in national defense, the Army plans to appoint an industry representative, Ed Kirby, public relations director of the National Association of Broadcasters.

Two Price Policemen

The Defense Commission's plan to use retailers as "price policemen" is really working. The Consumer Division is preening itself over the rivalry between the major groups in the retail field—each vying with the other to see which can do the most effective police job. Both groups focus attention on the same objective—control of pre-retail prices.

The National Retail Dry Goods Association got in the first lick by pushing retail purchasing agents into a signed pledge promising to avoid all practices that might affect prices. Then the American Retail Federation took the second round with its Thurman Arnold-blessed plan for price reporting through a retailers' advisory committee (BW—Oct19'40,p25).

Fair Trade Confab

Should the government bump off "fair trade"? This question is bound to come up at the conference Nov. 12 between Harriet Elliott's Consumer Division of the Defense Commission and representatives of the nation's wholesalers. One full session of the conference will be devoted to a panel discussion of "prices." No government economist can discuss this subject without pumping up his blood pressure over "fair trade"—witness Dr. Isador Lubin's monograph on prices for the Temporary National Economic Committee (BW—Oct19'40,p36).

• **Surprise**—Wise to this situation, drug

interests are readying a bombshell for the wholesaler conference.

Food for Lawyers

Food standards promulgated under the new Food & Drug Act are being speedily appealed to the courts. Canned fruit, sweetened condensed milk, and dried skim milk are involved so far, and it looks like a lawyers' holiday as the industries concerned threaten to take the Food and Drug Administration into court on other standards.

Particularly vociferous is the howl against required use of the word "skim" to describe the skim milk product. Transfer of FDA from the Department of Agriculture to McNutt's Federal Security agency is causing complications which lawyers can make a lot out of.

Tourist Dollars

A U. S. "traveler's dollar" modeled on Hitler's "tourist mark" will be urged on the Treasury soon. Government efforts to encourage Latin Americans to visit this country have run afoul of the wide disparity in currency exchange rates. When the Pan-American Hotel Association is organized in Havana early next year, with the backing of most of the continental republics, the hotel men will propose that the rate be equalized by selling dollars to Latin Americans at a special discount, with the provision they be used exclusively for tourist expenditures here.

P.S.

Four different U. S. airplanes have now been pronounced the fastest in the world. They are Grumman Skyrocket, Bell Aircobra, Lockheed Interceptor, and United Vought fighter. Undoubtedly the British and certainly the Germans and Italians each have two or three fastest airplanes in the world. We wouldn't be surprised if the Japanese have at least one. . . . Surplus Commodities Corp. is back in the market for lard after an absence since last Spring. So far only bids have been sought and upon them will hinge the size of purchases designed to fill the cupboard for relief distribution and school lunch programs, and to take part of the surplus off the market. This time, bids are being sought for cottonseed oil shortening in addition to lard. . . . The German switch to very light bombers in the attack on London was foreseen by the Air Corps, which is just getting deliveries on a Douglas light bomber ordered last year. . . . Tommy Corcoran now says it's true—that pre-election story that the end of the campaign would be the end of his career in politics. But his announcement was made in New York, and Washington is waiting for official confirmation.

FIGURES OF THE WEEK

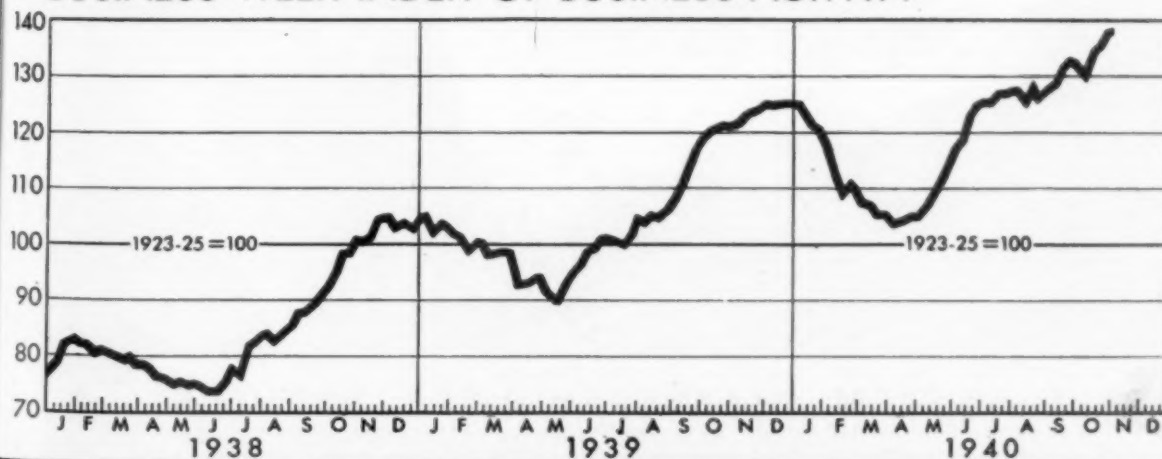
THE INDEX	§ Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
	*138.6	†138.2	131.2	106.9	122.0
PRODUCTION					
Steel Ingot Operations (% of capacity).....	96.0	95.7	94.2	65.8	92.5
Automobile Production	118,092	117,080	105,153	99,305	82,690
Engineering Const. Awards (Eng. News-Rec. 4-week daily av. in thousands)...	\$26,240	\$25,361	\$16,749	\$9,092	\$10,188
Electric Power Output (million kilowatt-hours).....	2,734	2,711	2,641	2,386	2,537
Crude Oil (daily average, 1,000 bbls.).....	3,480	3,640	3,481	3,679	3,501
Bituminous Coal (daily average, 1,000 tons).....	1,458	1,368	1,698	1,314	1,777
TRADE					
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	86	85	81	70	83
All Other Carloadings (daily average, 1,000 cars).....	54	50	56	38	55
Check Payments (outside N. Y. City, millions).....	\$4,674	\$4,985	\$5,008	\$4,697	\$4,638
Money in Circulation (Wednesday series, millions).....	\$8,265	\$8,236	\$8,172	\$7,570	\$7,352
Department Store Sales (change from same week of preceding year).....	+6%	+6%	None	None	+5%
PRICES (Average for the week)					
Business Week-Annalist Cyclical Commodity Index.....	80.76	†80.52	76.82	71.03	82.84
Spot Commodity Index (Moody's, Dec. 31, 1931 = 100).....	164.9	164.4	160.9	161.9	163.2
Industrial Raw Materials (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)	119.0	118.5	114.4	113.1	127.0
Domestic Farm Products (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)	118.8	119.3	117.7	121.9	113.0
Iron and Steel Composite (Steel, ton).....	\$38.06	\$38.07	\$38.05	\$37.17	\$37.62
Scrap Steel Composite (Iron Age, ton).....	\$20.67	\$20.67	\$20.62	\$16.75	\$20.63
Copper (electrolytic, Connecticut Valley, lb.).....	12.020¢	12.063¢	12.000¢	11.108¢	12.500¢
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$0.81	\$0.83	\$0.79	\$1.05	\$0.85
Sugar (raw, delivered New York, lb.).....	2.88¢	2.86¢	2.79¢	2.81¢	2.99¢
Cotton (middling, ten designated markets, lb.).....	9.41¢	9.36¢	9.45¢	10.53¢	9.07¢
Rubber (ribbed smoked sheets, New York, lb.).....	20.51¢	20.43¢	19.79¢	20.03¢	20.49¢
FINANCE					
90 Stocks, Price Index (Standard Statistics).....	87.7	85.9	84.9	96.0	102.1
Medium-Grade Corporate Bond Yield (30 Baa issues, Moody's).....	4.53%	4.54%	4.57%	4.68%	4.83%
U. S. Bond Yield (average of all issues due or callable after twelve years)....	2.08%	2.09%	2.14%	2.25%	2.52%
U. S. Treasury 3-to-5 year Note Yield.....	0.40%	0.41%	0.45%	0.45%	0.69%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	‡-‡%	‡-‡%	‡-‡%	‡-‡%	‡-‡%
BANKING (Millions of dollars)					
Demand Deposits Adjusted, reporting member banks.....	21,858	21,643	21,152	19,696	18,556
Total Loans and Investments, reporting member banks.....	24,602	24,489	24,329	23,542	22,728
Commercial and Agricultural Loans, reporting member banks.....	4,773	4,746	4,630	4,409	4,310
Securities Loans, reporting member banks.....	865	874	906	1,100	1,115
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.	12,001	11,934	11,862	11,387	10,916
Other Securities Held, reporting member banks.....	3,692	3,665	3,682	3,494	3,291
Excess Reserves, all member banks (Wednesday series).....	6,930	6,940	6,720	6,107	5,376
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,381	2,388	2,482	2,500	2,765

* Preliminary, week ended November 2nd.

† Revised.

§ Date for "Latest Week" on each series on request.

BUSINESS WEEK INDEX OF BUSINESS ACTIVITY



ACROSS A COUNTY OR A CONTINENT

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THE OUTLOOK

Defense Speed-Up

Election reinforces President's foreign policy, assures continued aid to Britain and accelerated arms output. Statistics may make things look first better, then worse than they are.

The reaction in both stock and commodity markets more or less symbolizes the business community's attitude toward the election results. Though the victory of President Roosevelt had been discounted by the betting odds, apparently hopes had been raised too high. Yet, there had been general recognition that underlying economic and political forces, already in motion, would persist. For national-defense expenditures were bound to continue as the most powerful influence on business during the next 12 to 18 months (BW—Nov2'40,p13).

• **Willkie for Unity**—Perhaps the statement most pertinent to the business outlook came from Wendell Willkie himself. Wednesday forenoon, over a nationwide radio hookup, he urged his followers to "work for unity in the completion of our defense effort and in sending aid to Britain." Thus clearly and unmistakably the Republican nominee did much to consolidate the people behind Mr. Roosevelt in his foreign policy. Here was a statement that could not be questioned, made as it was when vote-getting had ceased to be an object.

Naturally, the effect of this "consolidation of sentiment" behind the President's foreign policy will be to accelerate the defense effort. Mr. Roosevelt, presumably, will adopt strong measures in sending further aid to Great Britain, and as far as domestic munitions needs go, the Administration is likely to be more specific on priorities. This factor business men dare not overlook.

• **Defense Speed-Up**—The initial response of many business men to government pressure of this type might be irritation, in view of the traditional business concept that "regular customers come first." But second thought will result in a more tempered viewpoint, especially since an organized system of priorities would accelerate the defense program and thereby accelerate the rate of increase in industrial activity. Indeed, criticism might be leveled at the Administration to date because priorities have been evoked in such a helter-skelter fashion that companies getting A1 or A2 orders have been unable to figure out which was more important than which, and why. Consequently: Work has been slowed down instead of speeded up.

However, in the immediate weeks ahead, rapid expansion in business is not likely. Some digestion of the advance since mid-April is in order. Moreover, many industries are producing at close to capacity; therefore increases in output are limited. Steel is a case in point. This week the operating rate is 96% of capacity for the industry as a whole, which to all practical purposes is at capacity or even better. And United States Steel Corp. was reported to be operating at over 100% of capacity. Which means that standby plants have been brought back into production.

• **The Automobile Situation**—The automobile industry is another that is put-

ting on the pressure. Output of 118,000 cars this week probably marks the approximate high for the year, and for the next few weeks assemblies might well remain on this high statistical plateau. Dealers' field stocks are being built up at a rapid rate, as manufacturers strive to get into position to be able to step down output next spring when orders for airplane parts and other ordnance needs may be heaped upon them. Thus the characteristic upturn in assemblies that normally starts in February may not occur at all.

To a degree, the current high level of automobile assemblies can properly be described as "borrowing from the future." Cars being produced now will not be produced when they ordinarily would be. But since the major companies are likely to be busy on other output and since employment is unlikely to decline along with car assemblies, the economic impact of this "borrowing" is bullish, not bearish. What it really means is that the automobile industry is stepping up its total volume of output

IN THE OUTLOOK—
THE DROP IN UNEMPLOYMENT



Data: National Industrial Conference Board.

© BUSINESS WEEK

The labor force in the United States increases at the rate of about 58,000 workers per month. That's one reason why unemployment has a way of mounting rapidly when business is merely standing still. But in recent months, with national-defense orders lifting industrial activity, the country's "labor reserve"—workers unemployed—is diminishing. Since February, 3,000,000 persons have found jobs,

and despite the 58,000 accessions each month, the reserve has declined by 2,600,000. As the chart shows, more persons are employed now than at any time since October, 1929. But interestingly enough, because of the monthly additions to the labor force, there are actually more unemployed today (6,829,000 persons) than in September, 1937, when an estimated 5,066,000 persons were out of work.

and payrolls will be affected accordingly.

• **Statistical Quirk**—This may introduce a quirk into the statistics next spring. Most seasonally adjusted indexes of automobile production are based upon the number of car assemblies. But assemblies may actually be declining at a time when man-hours of labor and payrolls may be holding their own or even rising. So statistically the auto industry may appear to be much worse off than it actually is. At the moment the business statistics are engaged in similar pastime, except that conditions are made to look better than they are. A good many business series that go into indexes are now due for seasonal declines—automobile output, carloadings, residential and heavy engineering construction, steel operations. But defense orders are keeping most companies producing "over their seasonal heads." Thus, because the normal seasonal pattern calls for a decline and because business volume is apt to hold about level, the business indexes will rise.

• **A Repetition of 1939-'40?**—A similar statistical rise occurred last year, after the declaration of war in September. Industrial production jumped, and since a seasonal decline was called for, business indexes rose sharply. The effects of this was to make the recession that began in January of this year seem overly severe. Some indexes (not Business Week's incidentally) made an unusual peak in December and things looked black indeed in the spring. In view of what is now happening, it would be well to be prepared—psychologically—for a repetition of that statistical sequence.

Bottoms Down

Britain needs ships and will buy and build them here. Boom expected for United States yards if war is protracted.

Britain needs ships. And Britain will both buy and build them here.

Agents are already talking terms for the purchase of old cargo ships, but even more important to the future of the already booming American shipbuilding business are the negotiations, now well under way, for the construction here of a new shipyard to turn out boats for Britain. The first such yard to be financed by the British—a \$50,000,000 project—is not as important for its size as it is for the new pattern of operation which it establishes, a pattern which the industry thinks may be vastly amplified if the war is protracted.

If that happens, the shipbuilding boom may well become one of unprecedented proportions. The United States is already in the midst of a government-

aided merchant shipbuilding program under which 177 keels have been laid in the last three years, 51 vessels have already been delivered, and \$1,250,000,000 is being spent. In addition to this, private industry has 60 ocean-going freighters and 55 tankers on the ways, according to the American Bureau of Shipping, and Washington has recently placed \$5,000,000,000 in Navy orders under the two-ocean fleet program.

• **Assembly Line for Ships**—Against this backlog, the report that Britain is preparing to build its own 28-way cargo ship assembly yard in this country and spend \$50,000,000 for a "mass" order for 10,000-ton freighters is insignificant. Even at prevailing prices (and these are expected to rise considerably before Britain's plan could be put into effect), \$50,000,000 would buy no more than 20 to 25 ships of the C-type being built by the Maritime Commission now, or possibly twice that number if the British specifications call for little more—as is claimed—than "pointed boxes" with riveted steel hulls, an engine, a deck, and a lot of freight space. That would be an insignificant share in the backlog of business piling up on shipbuilders' order books in this country.

What has impressed the trade with the possibility that this is only a sample of really vast orders that may follow is Prime Minister Churchill's admission this week that submarine and raider attacks on British shipping have recently increased to an alarming extent, and persistent rumors that Germany, as in the last war, is turning out submarines on a mass production basis and rushing them to Atlantic ports from Bergen to Brest, and down the Danube to Constanza, Rumania, where they are being assembled, presumably for Mediterranean raiding. The attack this week on the British-convoyed ships, Rangitiki and Cornish City, by a German raider in mid-Atlantic is believed by many to herald a new phase of sea raiding which may, in another year, create a heavy demand for more bottoms.

• **British "Scow" Plan**—The British already have four commissioners in this country discussing details of their plan with Treasury, Maritime Commission, and Naval authorities. The scheme, as outlined last week, calls for the construction of a 28-way assembly yard to turn out "powered scows" (as insiders have dubbed them), the parts for which would be built in various parts of the country by plants not loaded with other jobs. Philadelphia, Baltimore, Newark, New Orleans, Los Angeles, and Portland, Ore., have been suggested as the possible location of the British plant, with East Coast cities favored by the trade.

• **Who Gets the Business**—Shipping authorities, while they admit that any enlargement of the shipbuilding program will run them into difficulties because

of the shortage of skilled workers in some lines and the difficulty of securing delivery on all kinds of equipment, believe that the British project can be handled. In the first place, if the British stick to their "pointed box" specifications, little more than common labor would be necessary in the assembly yards. More tools for the supply plants will be a problem which can be met only with the sanction of the priorities board, though such suppliers as Babcock & Wilcox, Foster Wheeler, and Combustion Engineering, which build the boilers for almost all of the ships constructed in this country, may be able to squeeze some of the essential parts into their own production programs and farm out the rest. Also likely to share in equipping the new vessels are General Electric, Westinghouse, Allis Chalmers, Worthington Pump, Johns-Manville, General Insulating, and Keasbey & Mattison.

• **Market for Old Ships**—The British are not relying entirely on the new program for replacements. Since the beginning of the war this country has sold the British 71 ocean-going vessels totaling nearly 400,000 tons for an estimated \$15,500,000. A part of these were laid-up ships built during the World War. The rest were privately-owned idle ships. Almost none of them was less than 20 years old. The Maritime Commission has another 60 laid-up vessels which might still be sold to the British, and there is still over-age tonnage in private hands which might be released.



LAUNCHING

In spite of Germany's threats of ever-intensifying air attacks over wider areas, England continues to launch cruisers. Meanwhile, however, the rumor persists that England will build a huge shipyard in the United States to produce merchant and possibly some naval vessels.



Still President of the United States and still Commander-in-Chief of the Army and Navy—and national defense business.

War Issues Shape Third Term

Extent of help to Britain and course of hemisphere defense will overshadow other problems. Armament program will go into high; borrowing and taxes will increase.

Somewhere down the road traveled by the Third New Deal this country should be able to discern whether the danger of one-man rule is real or fancied, and whether the threat comes from home or abroad. But the posturing and pranking of the campaign are ended now. Because war clouds overshadow the picture, Roosevelt will not encounter effective resistance to many policies which would otherwise be challenged—some of them policies that, under the circumstances, would have survived his own defeat.

The Democrats have retained control of the House but, in any event, Congress faces a resounding demand that partisan politics give way to an increasing degree of national unity, at least insofar as a rather elastic conception of national defense is concerned.

• Decisions Yet to Come—Increasing aid to Britain will eventually demand a decision whether or not Uncle Sam will join John Bull in trying to turn the tables on the Nazis. Somewhere along the line we will decide whether our ships shall carry war freight to Britain, whether we will toss cash-and-carry overboard. So far, the Administration's policies have not openly been projected beyond aid to Britain as an outpost of our own defenses. The tip-off on shifts in our British policy will come in Canada—probably in the next few months—as our present rigid rulings

against a belligerent are eased to implement both the defense and economic programs of the Joint Permanent Defense Board.

Procurement of our defense materials will be carried on largely in the rear of British requirements, but events may drive a wedge between a policy of cleaving to Britain and a more distinct policy of hemisphere defense. Trouble with Japan would be one such event. So far, the Administration has juggled both British aid and hemisphere policies with a moderate degree of success.

• Hemisphere Front—The Administration's still nebulous plans to underpin the foundations of hemisphere solidarity will take various concrete forms in the rather near future. Look for large-scale buying of Latin American products to add to our stockpiles of strategic materials and to bolster a dangerous foreign exchange situation in many South American countries. And look for the appointment soon of a number of business-men consultants to the various agencies working on the hemisphere economic program.

A continued stern policy towards Japan will manifest itself next in extension of export embargoes, now applicable to scrap iron and aviation gasoline, to other materials: steel, copper, oil and possibly, an import embargo on silk, though this seems remote. Every move in this direction asks trouble.

• Tightening the Reins—The slack in government activities which occurred during the campaign will be picked up rapidly, particularly on defense. Rumors regarding reorganization of the Defense Commission are a dime a dozen. Informed opinion anticipates continuation of the present coordinate form of organization of the seven-member body plus appointment of an administrator who would bring things to a jell more rapidly.

Donald M. Nelson, of Sears, Roebuck, is a good bet but Roosevelt will continue to be the real boss. The Defense Commission functions as his "war cabinet." A shakeup in his official cabinet is in the offing. For more effective unity, Stimson is due to be replaced in the War Department. Rep. Wadsworth of New York is well favored. Madam Perkins will be retired from the scene, La Guardia, Hillman, Tobin, and several others are plausibly mentioned. It's hard to believe, but Ickes is quoted to the effect that he will voluntarily retire, believing that the best interests of the Administration will be served by a man with fresh ideas in the Interior post.

• More Debt, More Taxes—By the time industry really gets into production on \$12,000,000,000 of war goods, the next Congress will lay more borrowed money on the line for defense materials and another hitch will be given to the debt limit, now \$49,000,000,000. With business and consumer income expanding rapidly under the goad of national defense, budget deficits will not reflect the full outlay for the chips bought in the war game but you can count on a new, stiff tax bill along about the middle of next year.

Viewed from the standpoint of its social objectives, the Third New Deal will be significant only as the avenue to further projection in fields already occupied: extension of social security and wage-hour control to now excluded classes of the population. How much will be accomplished now is conjectural.

No serious attempt will be made to set up the relief program on a more efficient basis. Worker training in defense industries may contribute to partial easement of the long-term condition but so long as the defense program makes more jobs the relief problem will get scant attention. On the eve of Election Day the number on WPA rolls was 1,778,600 as against 1,901,894 last November.

• Business and Labor—The Administration's traditionally scornful attitude toward business will be tempered by Roosevelt's high estimate of the necessities of national defense. Extension of public power resources and various odds and ends that remain of the New Deal's 1933 program will be put across as defense measures. In two fields—hous-

ing and transportation—little has been accomplished by the New Deal and nothing comprehensive is likely to be done in future. The diverse interests in each have deflected in Administration's attempts to penetrate to fundamentals.

There's some hope that the cross laid on industry and the Administration by labor's civil war can be cast off with Lewis's descent from leadership of the C.I.O. Sidney Hillman will climb to power and an amalgamation of organized labor will depend largely on him. But in a larger sense the choice of labor in the recent campaign was between Lewis and Roosevelt. Labor's fortune now lies wholly within the hands of one man, a man against whom labor cannot unite. As for employers, a united labor front doesn't hold out the prospect of less pressure on them, except for a comparatively small number caught between the cross-fire of C.I.O. and A.F.L.

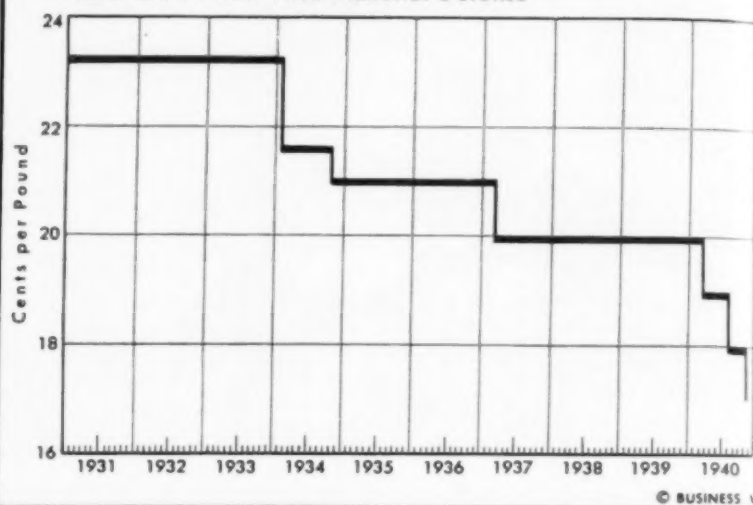
THE AUTO MEN'S JOB

It's full speed ahead now on the mass production of planes and engines (page 30). Highlight of the week's news was the award of a contract to the Ford Motor Co. for \$122,323,020 of air-cooled airplane engines. Meanwhile, the Knudsen plan for enlisting the services of the automobile industry in the new two-billion-dollar plane program began to take on form and substance.

The Automotive Committee for Air Defense, organized Oct. 25 in Detroit (BW—Nov. 2'40, p17), has already taken over the administration building and part of the plant of Graham-Paige, which is no longer producing cars. Engineering advice and assistance will be provided there for auto manufacturers who are expected to supply the bulk of parts and sub-assemblies used in the new plane program. Knudsen will put "samples" of these units on display at the plant. Because of the difficulty of shipping these materials to distant airplane plants for final assembly, new plants are likely to be provided much nearer Detroit.

• **Separate Job**—The auto men's committee didn't rush into any immediate conference with the aviation industry committee, because the new program is shaping up wholly as an auto job, from part to plane. Hence, the aviation group is likely to be relied upon only for advice and information.

DOWN GO ALUMINUM PRICES Third Cut in Year Aids National Defense



Sharply increased aircraft production and other national-defense uses have resulted in record demand for aluminum. In line with its announced policy, the Aluminum Company of

America has passed on to consumers the savings on lowered costs. This year, three cuts of 1¢ a lb. have been made; the latest reduces the price to 17¢, effective Nov. 18.

Steel Capacity Will Stretch

Industry, listening to talk of government steel plant in Northwest, declares it can meet all requirements in sight. Specific deficiencies are being overcome.

Steel made the front pages the past week. Bethlehem announced a backlog exceeding a billion dollars, an all-time high. U. S. Steel's third-quarter profits approached a record, with little support from defense orders. Ingot production clung to its position close to the industry's theoretical capacity. Output for the year is likely to be 64,000,000 tons, or 2,000,000 tons more than in '29. Yet the full impact of the defense program is yet to be felt.

That sounds like steel-makers were about to be caught in a bad spot when it comes to supplying tonnage for armaments. That is what some of the New Dealers would like the country to believe, say the steel people. In fact, the suspicion exists in steel circles that New Dealers seek justification for creating further steel capacity so that a government-owned steel plant, probably in the Northwest, might be promoted. But if such plans are brewing, a study of the steel situation fails to back them up.

• **Demands vs. Capacity**—Walter S. Tower, president of American Iron & Steel Institute, estimates defense requirements at 8,000,000 tons of ingots a year at the most, and probably much

less. Should exports to Britain and Canada continue in recent volume, those countries and other foreign buyers would take 12,000,000 tons. If orders for peace-time products should rise to the 1929 level, that would consume 62,000,000 tons. Demands from those three sources add up to 82,000,000 tons a year, within 1,000,000 tons of theoretical capacity.

The squeeze isn't so close as that, though. Rated capacity, points out Mr. Tower, is 10%–12% below real capacity, the margin being the allowance for breakdowns and repairs. Actually, steel mills could push operations 5% (4,000,000 tons) above rated capacity in an emergency, raising the industry's total to 87,000,000 tons annually. The industry can run almost at rated capacity for sustained periods and above it occasionally (Bethlehem ran at 103% last month).

• **Peaks That Pass**—Mr. Tower's calculations are based on a maximum demand over 12 months. Experience shows, however, that not all elements of demand ever rise to a peak simultaneously, and any such peak is a passing phenomenon. Such peaks may come in the

defense rush but practical reasons exist for believing the steel supply will not be a major or prolonged source of worry. They are:

(1) Defense tonnage in various steel products will be spread over a long period. The need for structural and reinforcing steel for plant construction work and for road building will develop in advance of the requirements for shell and tank steel. Ship steel will be delivered over the next four or five years. In other words, defense tonnage won't come at the industry from all directions at one time.

(2) Where deficiencies appear in manufacture of certain classes of steel, action already is under way to provide more capacity. For example, electric-furnace capacity (for making alloy steels) will be expanded this year more than 40% to 2,500,000 tons. Republic, Bethlehem, Carnegie-Illinois, Timken Roller Bearing, Pittsburgh Crucible, Rustless Iron & Steel, and Copperweld Steel are among the companies which have recently installed or are about to put in more electric furnaces. Republic is far in the lead in the country's electric-furnace capacity, followed by Crucible and Timken. Allegheny and Bethlehem are close together in fourth and fifth places. U. S. Steel is down the list. Alloy steels, including stainless, are importantly used in the aircraft field.

(3) Voluntary priorities are already being given defense orders with little inconvenience to commercial customers. Should the situation get tight, tonnage always can be diverted from non-essential industries to armament factories. This probably won't be necessary if buyers intelligently plan their steel requirements. Says Bethlehem's Eugene Grace: "Ordinary consumers have been spoiled during the long depression by being able to get steel delivered overnight." There was a time when steel users bought three to six months ahead and thought nothing of it. If deliveries are stretched out, as they are bound to be, consumers will have to anticipate their wants better and dovetail their needs into those of the defense program.

(4) Steel mills possess a certain amount of flexibility which most people don't realize. Because a mill makes rails that doesn't mean that it cannot divert unused rail-making capacity to other uses for the defense program. One company is developing a light armor plate to be made on mills built originally to turn out flat-rolled automotive steel.

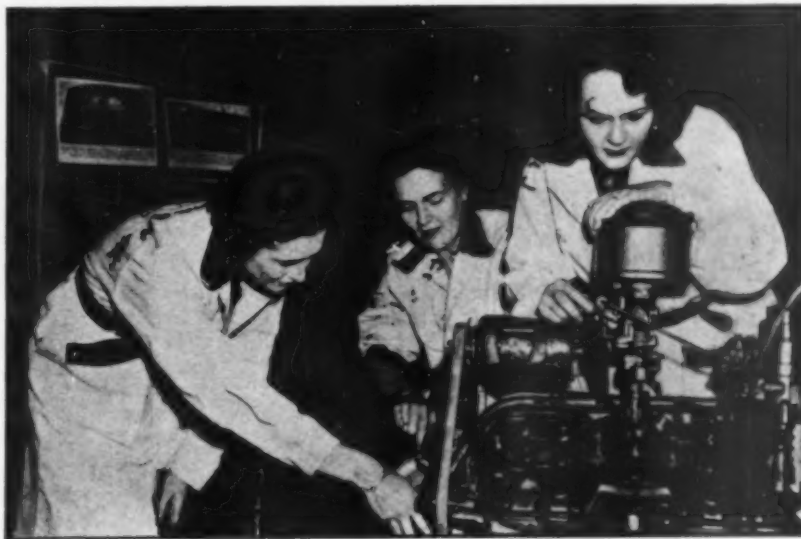
• **Bessemer Possibilities**—Suggestions for further upping of steel capacity without constructing more steel-producing units come from champions of the Bessemer process. They say that if available Bessemer capacity were to be used fully, as much as 4,000,000 tons of ingots could

be put on top of currently rated capacity. Leading spokesman for Bessemer is Jones & Laughlin Steel, which was recently granted patents on a method for controlling the Bessemer "blow" (blowing cold air under high pressure through the mass of steel in the Bessemer converter until certain reactions occur) by an arrangement of photo-electric cells and other instruments eliminating the human element in determining the all-important end-point of the blow. Several major steel companies are negotiating licenses to use this method.

Heavy steel products come back into their own in the defense requirements. They are needed in producing tanks, ships, shell forgings, bombs, and dozens of other munitions items. The lighter flat-rolled products of continuous mills, accounting in the past few years for about half of all tonnage, are more applicable to peacetime articles. A surprising amount of sheet and strip steel, however, is going into defense items (for example: cartridge clips, scout cars, steel containers for shipping shells). Sheet mills would be most affected if defense plans made it necessary to divert ingots and semi-finished steel to the rolling of essential munitions products. Such action appears remote.

• **Capital Improvements**—The industry's opinion about standing pat on present capacity has little to do with willingness to put cash on the line. Over the past decade U. S. Steel alone has spent over half a billion dollars for capital improvements. It has recently applied \$14,000,000 directly to plant expansion for defense purposes. Bethlehem has just laid out large sums, expects to spend more for equipment and plants tied to defense directly or indirectly.

A parade of companies is doing the same thing. The industry's chief objection to "spreading itself" on more capacity is based on the inescapable fact that peacetime operations have never averaged over 60% at best and that any start toward new basic-steel facilities would not be completed for 18-24 months—when they might never be used. Moreover, the records show that steel production has been ahead of consumption for months, giving evidence that users have been storing steel for a rainy day when defense needs may make it a little hard for them to get all they want. Steel people, bearing in mind the "hoarding" tendency, still contend that the national-defense load won't be superimposed on a demand of 95% of capacity.



WOMAN'S PLACE

In the World War, when women filled a variety of men's jobs, there wasn't much of a demand for women auto mechanics. This time it might be different, and the American Women's Voluntary Services is getting ready to fill the need. Ralph Horgan, New York City Ford dealer, provides expert mechanics for this training job.

The A.W.V.S., patterned after the British Women's Voluntary Services,

Lotta Svards of Finland, and the Swiss Samaritans, already has 27 units in the U. S., including one in Fairbanks, Alaska. Members are taught how to handle both civilian and military jobs, first take a general preparedness course, then go into specialized studies—first aid, aeronautics, communications, photography, office work, diet and canteen, agriculture, and motor transport and repair. In return for training, students agree to serve a welfare organization of their choosing.

Television Strides

While industry eyes the new multi-tube receiver, work of hammering out transmission standards moves ahead.

Television engineers were busy wondering last week whether Dr. Alfred N. Goldsmith had a great new invention or merely a bright idea. Dr. Goldsmith, a prominent consultant in the radio field (retained by the Radio Corporation of America), had received a patent on a new method of reproducing television pictures, and the invention had received prompt and copious publicity in the newspapers.

Dr. Goldsmith stated that the idea came to him as he watched the animated signs on Broadway, composed of many electric lamps, each bulb taking a part of the picture. So, he reasoned, why not use a number of small inexpensive picture-reproducing tubes in the television set, rather than one large and expensive one. The 12-in. picture tube used in an elaborate television receiver today lists at \$75. The smallest cathode-ray tube with a one-inch screen sells for \$4. Furthermore the auxiliary equipment for the smaller tube is considerably less expensive, per tube.

• **Some Questions**—The question which puzzled the industry was whether a sufficient number of small tubes, with their auxiliary circuits, could be provided for the cost of a larger tube, with its auxiliaries, to produce an equivalent picture. Those in the know were inclined to doubt it. There were also some unanswered questions on the way in which the portions of the picture on the small tubes could be combined smoothly into one big picture.

• **Commercial Standards**—Meanwhile, of much greater immediate interest to the listening public, the question of transmission standards for commercial television continued to be thrashed out in a series of meetings at the Hotel Roosevelt in New York. The National Television System Committee, composed of engineers representing nearly all the organizations in television, has grown to the unprecedented size of 138 members and alternates. The minutes and supporting documents, investigating every phase of the art, now number several thousand pages. The committee is working toward the deadline of Jan. 1, at which time it hopes to transmit to the Federal Communications Commission a group of standards which will be adopted officially by the government and which will serve to give commercial television its much needed send-off.

The New York television transmitter of the National Broadcasting Company,

having completed the technical job of changing wave-length in response to orders from the FCC, came back on the air last week, but with a program service reduced to three or four hours per week.

• **As Regards Quality**—Viewers found the quality of the pictures better, except during the telecast of the Democratic Rally from Madison Square Garden on Oct. 28. Insufficient light in the Garden made the view of President Roosevelt rather blurry, but nevertheless perfectly recognizable. Film transmissions have shown excellent quality, and the Republican Rally televised from the Garden on Nov. 2 was a big improvement.

NBC explains the reduced program schedule by stating that the transmitter is still in the process of being shaken down after the wave-length shift, but gossip has it that NBC has had its fill of spending plenty of money on elaborate programs with no financial return in sight. Recent experimental transmissions from the NBC transmitter have been conducted to aid the National Television System Committee in its deliberations. For several afternoons, the sound transmitter has transmitted alternately on frequency modulation and amplitude modulation in five-minute intervals, much to the confusion of the owners of television sets who happened to be tuned in at the time.

• **A Boost for FM**—Frequency modulation, the erstwhile competitor of television for space in the ether (it was an allocation to FM which forced the

NBC television transmitter to "move over" last August) received further encouragement with the announcement of fifteen commercial licenses, out of 51 applications pending before the FCC. Four of these licenses go to New York City, the others singly to various cities, including Detroit, Baton Rouge, Los Angeles, Salt Lake City, Chicago, Milwaukee, Evansville (Ind.), Binghamton (N. Y.), Columbus (Ohio), and Schenectady (N. Y.).

Perhaps the most significant of the lot was the permit to erect a commercial station on the top of Mount Washington, in New Hampshire, issued to the Yankee Network. This station is expected to provide service to an area of 31,000 square miles (a circle of 100 miles radius) within which live approximately 2,000,000 people. Such a proposition would be self-supporting in a big way, although five years ago a station on that mountain, or any other mountain for that matter, would have seemed the height of folly. The mountain-top location is excellent for FM purposes however because the horizon (a measure of the service radius of the station) is so far away.

The New York City stations are expected to cover 8,000 square miles within which about 11,000,000 people live. Two of the New York licensees—The Frequency Broadcasting Corp. of Brooklyn and W. G. H. Finch of Manhattan—are newcomers to the ranks of the commercial broadcasters, a fact viewed with a somewhat jaundiced eye by the old-timers in the field.



RADIO STATION LOCATER

To uncover radio stations broadcasting without the proper authority, the Federal Communications Commission now uses an ingenious device,

built into an automobile. The driver, by noting the direction from which radio beams come to two different locations, can plot the location of one of these bootleg stations to within about 100 yards.

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Rail Comeback

After post-war drop, the roads now snap back until income for 1940 is expected to top 1939 by about 75%.

The railroads had one grand boom period, then an era of slow rust and decay. Now they are coming back with a vengeance. They've decided to call a halt to the inroads being made on their trade by the truckers and buses (BW—Nov 24, p27). They've done some house-cleaning to throw out part of their superfluous bonded debt and are applying up-to-date promotion methods to stimulate traffic.

As a result of that, together with general business conditions and preparedness orders, total railway ton-miles and freight revenue for 1940 are expected to be highest since 1930. Combined net income for the industry in 1940 is expected to top 1939 by about 75%. Steam carriers gradually have been improving their competitive position, substituting more up-to-date merchandising and consideration of shipper and passenger wants for previous methods.

• **The Fitch System**—Milk revenue of Class I roads, for instance, exceeded \$35,000,000 in 1929 and dropped to around \$11,000,000 last year. Return of much of this traffic is anticipated through use of the Fitch system of co-ordinated transportation (BW—Nov 24, p32). By this method, fourteen 3,000-gallon tanks and 7 flat cars last week hauled milk 300 miles from Covington, Pa., to Jersey City where the tanks were switched to trucks, which took them to a pasteurization plant in Brooklyn.

Freight cars carried heavier loads than in 1939, for number of freight cars loaded during the first seven months of 1940 increased only 10.9%, but tonnage carried and ton-miles in the same period increased 20.2% and 18% respectively. In September, car loadings, both total and l.c.l., were larger in September this year than last, whereas truck loadings declined.

• **Encouraging Comparison**—Earnings each 1940 month have topped the similar 1939 month (see tabulation) with the exception of September and October. September results suffered by comparison with a year ago partly because of the abnormal spurt of business the first month of the war, when companies rushed to acquire inventories. Establishment by the National Bituminous Coal Commission of minimum coal prices on Oct. 1 cut coal loadings to an average of 43,000 a week below October, 1939.

Industrial orders on hand assure continuation of favorable traffic and earn-

ings trends. Greater stability, rather than an early boom, is expected because inventories in the hands of industrial consumers are near their ten-year highs for this season. Present high

rate of steel production (see page 16) suggests that ore shipments will be approximately 70,000 cars weekly until the Great Lakes are closed to navigation late this month.

How the Railroads Have Fared in 1940

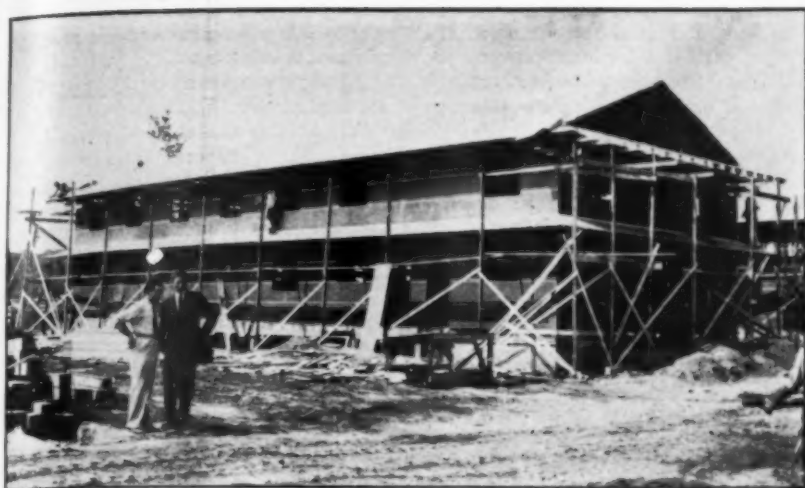
Aggregate net operating income for all Class I railroads.

	1940	1939	% change
January	\$45,569,976	\$32,947,171	+ 38.31
February	32,617,739	18,637,700	+ 75.01
March	36,734,352	34,375,050	+ 6.86
April	33,822,209	15,323,769	+120.72
May	47,076,826	25,172,742	+ 87.02
June	47,484,657	39,166,783	+ 21.24
July	57,104,168	48,996,614	+ 16.55
August	66,014,798	54,567,356	+ 20.98
September (est.)	74,193,000	86,530,000	- 14.26
Total	\$440,617,728	\$355,717,185	+ 23.87

Gross revenues and net operating incomes of the railroads which reported the largest gross revenues in 1939. (The figures below represent the eight-months totals for 1939 and 1940.)

	1940	1939	% change
Atchison, Topeka & Santa Fe.....gross	\$107,501,000	\$102,371,000	+ 5.01
net	11,687,000	10,086,000	+ 15.87
Atlantic Coast Line.....gross	32,812,000	32,105,000	+ 2.20
net	1,001,000	2,475,000	- 59.56
Baltimore & Ohio.....gross	114,787,000	97,231,000	+ 18.06
net	17,912,000	12,746,000	+ 40.53
Boston & Maine.....gross	30,865,000	29,631,000	+ 4.16
net	3,989,000	3,720,000	+ 7.23
Chesapeake & Ohio.....gross	89,472,000	70,501,000	+ 26.91
net	27,879,000	18,300,000	+ 52.34
Chicago, Burlington & Quincy.....gross	61,044,000	59,996,000	+ 1.75
net	4,759,000	4,493,000	+ 5.92
Chicago, Milwaukee, St. Paul & Pacific.....gross	72,292,000	66,796,000	+ 10.82
net	5,372,000	1,242,000	+332.53
Chicago & North Western.....gross	58,539,000	54,404,000	+ 7.60
net	3,759,000	28,000	+13,325.00
Chicago, Rock Island & Pacific.....gross	52,301,000	51,170,000	+ 2.21
net	3,592,000	2,259,000	+ 59.01
Delaware, Lackawanna & Western.....gross	34,052,000	31,846,000	+ 6.93
net	3,531,000	2,666,000	+ 32.45
Erie R. R.....gross	54,693,000	50,133,000	+ 9.10
net	7,650,000	5,588,000	+ 36.90
Great Northern.....gross	62,846,000	55,450,000	+ 13.34
net	12,553,000	8,313,000	+ 51.00
Illinois Central.....gross	72,581,000	68,990,000	+ 5.21
net	7,503,000	7,715,000	- 2.75
Louisville & Nashville.....gross	63,875,000	54,909,000	+ 16.33
net	10,613,000	8,565,000	+ 23.91
Missouri Pacific.....gross	55,310,000	52,284,000	+ 5.79
net	4,676,000	2,998,000	+ 55.97
New York Central.....gross	237,442,000	211,453,000	+ 12.29
net	23,077,000	15,016,000	+ 53.68
New York, New Haven & Hartford.....gross	54,346,000	52,992,000	+ 2.56
net	3,706,000	3,393,000	+ 9.22
Norfolk & Western.....gross	69,146,000	54,636,000	+ 26.56
net	22,046,000	15,502,000	+ 42.21
Northern Pacific.....gross	43,303,000	39,755,000	+ 8.92
net	6,853,000	3,527,000	+ 94.30
Pennsylvania.....gross	304,502,000	260,181,000	+ 17.03
net	48,060,000	39,113,000	+ 22.87
Reading.....gross	40,594,000	35,028,000	+ 15.89
net	8,133,000	6,719,000	+ 21.04
St. Louis-San Francisco.....gross	30,538,000	30,374,000	+ .54
net	1,805,000	1,083,000	+ 66.67
Southern Pacific.....gross	145,938,000	137,590,000	+ 6.07
net	14,471,000	14,044,000	+ 3.04
Southern Railway.....gross	67,173,000	62,650,000	+ 7.22
net	11,507,000	10,910,000	+ 5.47
Union Pacific.....gross	103,654,000	101,245,000	+ 2.38
net	10,309,000	8,164,000	+ 26.27

Data: Standard Statistics



National defense or World's Fair—they're all one to A.F.L. business agents who demand that non-union workers who want carpenters' jobs on

buildings in the recruit reception center at Fort Dix, N. J., must pay an \$80 initiation fee to the local carpenters' union (see page 46).

NATIONAL DEFENSE

Defense Rewrites the Laws

Industry finds itself under a patchwork of new acts and old, affecting nearly every aspect of policy and operation. It's important, therefore, to know what 76th Congress has done.

The legal foundation of our extraordinary peacetime defense program comprises a patchwork of laws, old and new. It was under the National Defense Act of 1916 that the President found authority to set up on June 24 the Council of National Defense and—the tail that wags the dog—the Advisory Commission to the Council of National Defense. Other laws are so new that the ink has hardly dried on the President's signature, such as that permitting the government to requisition and sell or use arms, ammunition, and implements of war (especially machine tools) which have been sold abroad, but which are denied export licenses under another law recently enacted.

In practice, incidentally, the export control law permits the Administration to discriminate between Russia, recently restored to the status of a "friendly power," and Japan, "the dictator country of Asia." While it is not otherwise apparent in the pattern of recent laws, such as the Neutrality Act and the Johnson Act prohibiting loans to war debtor nations, aid to England is a long arm of our national defense policy. Dusty, obscure laws, indeed, are exhumed to support this policy and uphold, for ex-

ample, the transfer to Great Britain of 50 destroyers.

• **Everyday Laws**—Then, too, laws which industry has to live with every day bear upon, either to help or hinder, the defense program. Of these the most conspicuous is the National Labor Relations Act, in which the row over the "black-listing" of contractors is rooted. There are everyday laws and regulations which have had to give way to the importunate necessities of the defense program. Examples: the law which stood impregnable for many years that government contracts must be awarded to the lowest responsible bidder; customary practice with respect to plant depreciation allowances for tax purposes; the Vinson-Trammell Act and Merchant Marine Act of 1936 limiting profits on aircraft, naval and merchant-ship construction contracts.

As a corollary, and in response to the President's assertion that the defense program should not become the instrument for making war millionaires, Congress enacted the new excess-profits law. Ostensibly this act is intended to peel high profits from defense business, but it actually cuts a much wider slice since it levies on all corporations, whether or

TO THE COMPANY WITHOUT A LOAN PLAN FOR EMPLOYEES

YOU—and other executives in your company—have probably often seen how money worries can break the morale of a good employee. You realize that when a worker has unusual expenses too large to be paid out of savings he should be able to get a loan. From the company? Your company may well feel that making personal loans is a specialized undertaking for which it hasn't the experience or the means. Where, then, shall your employees borrow?

An answer to the problem

To supply emergency credit for wage workers is the job of the family finance company like Household Finance. The company operates under state laws written to serve and protect the borrower. These laws embody the recommendations of the Russell Sage Foundation—an impartial, research organization which has devoted years to the study of the small borrower's credit needs and how best to meet them.

Loans without wage assignments

At Household Finance the responsible worker can borrow up to \$300 in a simple, private transaction. No endorser or bankable security is needed. *No wage assignment is taken.* Repayment is made in convenient monthly installments. Last year Household made over 800,000 such loans to men and women in all branches of industry.

The table below shows some typical loans and payment plans. The borrower may choose the payment plan which best fits his own needs and income. Installments include charges at the rate of 2½% per month (less in many territories). These charges are substantially below the maximum allowed by the Small Loan Laws of most states.

AMOUNT OF CASH LOAN	AMOUNT PAID BACK EACH MONTH Including All Charges				
	2 mos. loan	6 mos. loan	12 mos. loan	18 mos. loan	24 mos. loan
\$ 25	\$ 10.38	\$ 3.63	\$ 1.95		
50	25.94	9.08	4.87		
100	51.88	18.15	9.75	\$ 7.66	\$ 6.41
150	77.82	27.23	14.62	11.49	9.62
200	103.77	36.31	19.50	15.32	12.83
250	129.71	45.39	24.37	19.15	16.04
300	155.65	54.46	29.25	22.98	19.24

Above payments figured at 2½% per month and based on prompt payment are in effect in Maryland and several other states. Due to local conditions, rates elsewhere vary slightly.

We believe that a family financial service should teach and encourage borrowers to spend wisely and buy intelligently. So our staff of home economists gives practical guidance in budgeting and household buymanship. Hundreds of schools and colleges use the booklets developed for this work.

If you employ or supervise men, you are invited to send the coupon for further information. You will be under no obligation.

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Please tell me more about your loan service for wage earners—without obligation.

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City.....State.....

not engaged directly or indirectly on defense contracts or orders, for taxable years beginning after Dec. 31, 1939.

To get down to brass tacks, as every company must which eventually participates in the defense procurement program, some specific knowledge of the laws passed by the 76th Congress with respect to the defense program is essential.

Some particularly important provisions of the defense laws bearing on business may be summarized topically as follows: *

• **Negotiated Contracts**—Laws permitting negotiation in lieu of competitive bidding for contracts were enacted for the Navy last June 28 and for the War Department on July 2 (Public Law No. 671, Section 2a; Public Law No. 703, Section 1a). Award by competitive bidding is still prevalent but is being increasingly displaced, especially where additional plant capacity is required to get production.

In paying excess-profits taxes, companies under negotiated defense contracts are subject to specific profit limitations inherent in a cost-plus-fixed-fee basis (replacing the cost-plus-10% basis of World War days) ranging up to an apparent 10%.

• **Priorities**—At the President's discretion, priority can be given to any Army or Navy contract over all deliveries for private account or export (Public Law No. 671, Section 2a). On Oct. 21 the President delegated his authority under this provision to an administrator of priorities, Donald M. Nelson, and a board comprising William S. Knudsen, chairman, Edward R. Stettinius, Jr., and Leon Henderson, all of whom are members of the Defense Commission.

An existing voluntary system of giving defense orders the right of way over others will be continued wherever it is effective. The availability of compulsion, besides being a club over a "non-cooperative" firm, furnishes a degree of protection to contractors against prosecution by private customers for non-fulfilment of their orders.

Under Section 9 of the Conscription Act, any manufacturer may be compelled to furnish to the War and Navy Departments any products or materials that can be produced by him. Orders placed under this law take precedence over all other orders and contracts. In case of refusal to accept or to give preference to Army and Navy orders, the government may take immediate possession of the plant on a rental basis (Public Law No. 783, Section 9). The President has ordered that such mandatory orders must be reviewed by the Defense Commission and that they can only be placed with the commission's approval. Disagreements are to be reported to the

President, and in the event of refusal on the part of a business concern the matter must be referred to the President before further action is taken under the law.

• **Advances to Contractors**—Both the Army and the Navy are authorized to advance to contractors for supplies or construction 30% of the contract price (Public Law No. 671, Section 1; Public Law No. 703, Section 1c).

• **Modification of Contracts**—Existing Army and Navy contracts may be modified to expedite the procurement program (Public Law No. 703, Section 1a; Public Law No. 671, Section 9).

• **Amortization Deduction**—As an alternative to normal depreciation or amortization allowances, a special amortization deduction is authorized by the excess-profits tax law with respect to any lands, buildings, machinery, or equipment built or acquired after June 10, 1940 and certified (by the Defense Commission and either the Secretary of War or the Secretary of the Navy) to be necessary in the interest of defense. Cost of such emergency facilities may be recovered over a five-year period, unless the President declares meantime that continued use of such facilities is no longer necessary for national defense (Public Law No. 801, Sections 301 and 302).

• **Government Facilities**—The President is authorized, with or without advertising, to provide for (1) furnishing of government-owned facilities at privately-owned plants, (2) training of civilians

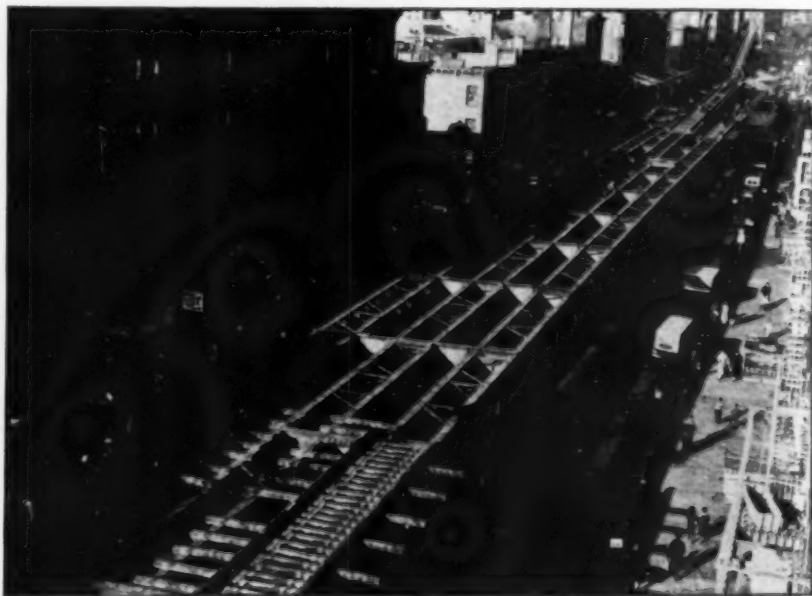
necessary in protection and use of critical items of equipment and material, (3) procuring strategic and critical materials (Public Law No. 703, Section 5).

• **Contracts as Collateral**—Certain contracts with the government may be assigned as collateral for loans made to finance performance of such contracts. Claims under contracts entered into before this law became effective can be assigned to banks or financing institutions with the consent of the department head. Claims under new contracts may be assigned unless the contract itself contains provisions forbidding such assignment (Public Law 811).

This legislation is designed primarily to implement construction of new plant capacity under a plan devised by the Defense Commission. Under this plan, the contractor or subcontractor on a defense order puts up the initial cost but is reimbursed by the government in 20% annual installments over a five-year period. The contract covering the new capacity is negotiated independently of that for the defense goods to be produced therein.

Until reimbursed, the contractor will retain title to the property, but the five-year depreciation provision of the new tax law will permit him to deduct an amortization allowance for his tax returns equal to the annual reimbursement from the government (Sec. 124i of Internal Revenue Code, inserted by Public Law No. 801).

The outstanding advantage claimed for this scheme is that it will enable the



ANOTHER "EL" GOES

Still another of New York City's old elevated-railroad lines goes under the hammers of the wrecking crew—leaving only the 2nd and 3rd Ave. lines

still standing—as the rising price of scrap steel makes demolition of the 9th Ave. "EL" a more profitable operation. The Iron Age composite price advanced in the last six months from \$18 to \$22 a ton.

* All public laws referred to in this summary are enactments of the 76th Congress.

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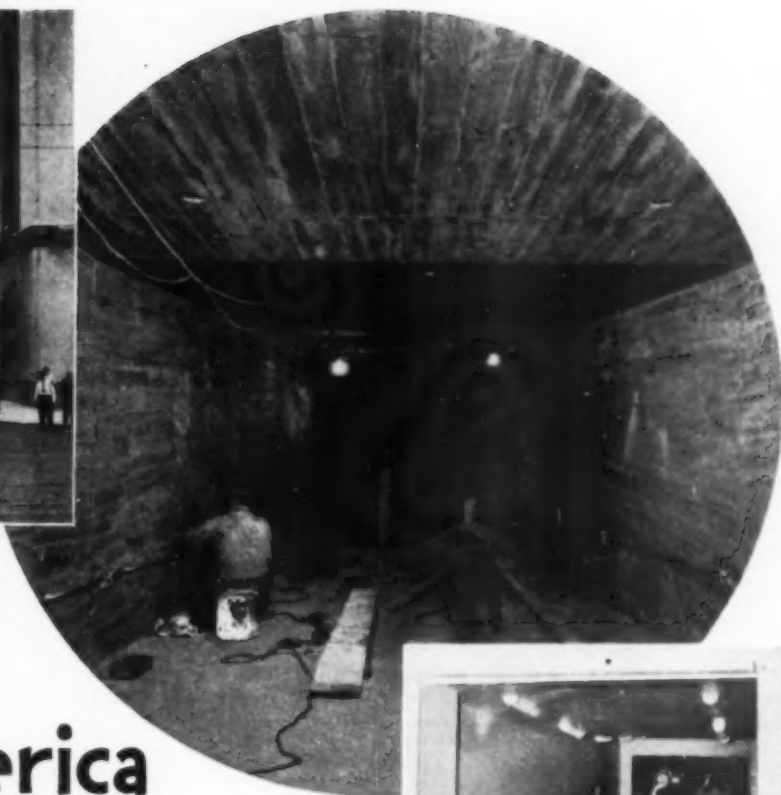
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TUNNEL under Academy St., Newark, N. J. Con-
structed for L. Bamberger & Co. to provide safe,
convenient underground passage between two of
their stores. Architects associated: Robert D. Kohn
& John J. Knight, New York City. General Con-
tractor: Robert A. Howie, Jr., Newark, N. J.



When America goes underground

THIS is a shelter—but not against falling bombs. It's just a pedestrian tunnel under a busy Newark, N. J., street, used by the employees of L. Bamberger & Co., and the general public to save time and avoid danger crossing heavy street traffic. No need here to watch and wait for "Stop and Go" signals.

Watertightness was necessary—and quick construction because street traffic could not be stopped. Lehigh Early Strength Cement was used in the 14-inch ceiling, walls and floor, to make concrete of maximum density as protection against water penetration, and to get quick service strength so the work could proceed without interruption. In the face of excess surface water due to heavy rains, construction time was shortened two weeks. Overnight each section of concrete hardened sufficiently to permit the workmen to proceed without delay.

This is a typical every-day performance with Lehigh Early Strength Cement. For any purpose, it makes better, denser concrete of usable strength 3 to 5 times faster. It saves time—it often reduces construction costs.

Specify Lehigh Early Strength Cement for your concrete work. Ask the architect, engineer or contractor, or consult the Lehigh Service Department about its advantages.



LEHIGH PORTLAND CEMENT COMPANY

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contractor to borrow construction capital readily at lower rates of interest than would be available from the RFC or than prevail on the usual type of commercial loan. Because the government pays for such construction, title will pass to the government but the contractor, at the end of the five-year period, will have a dominant option to purchase the property at cost less pre-arranged rates of depreciation or, alternatively, at a negotiated price (BW-Oct5'40,p16).

• **Employment of Aliens**—Without the prior written consent of the department concerned, no aliens may be employed where they have access to plans or work on contracts that are secret or confidential (Public Law No. 671, Section 11).

• **Wages and Hours**—For the duration of the national emergency dating from the President's proclamation of Sept. 8, 1939, the provisions of the law prohibiting more than eight hours' labor in any one day of workers engaged on Army, Navy, and Coast Guard contracts are suspended (Public Law No. 671, Section 5b).

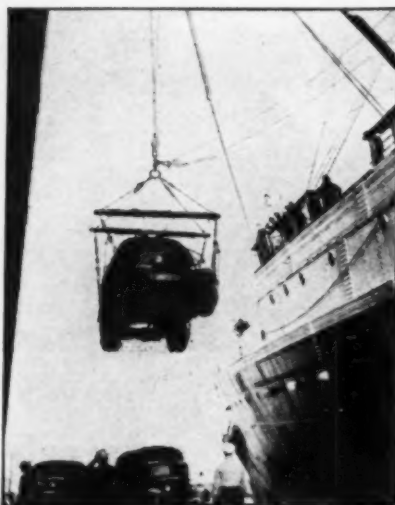
Whenever he deems it in the public interest, the President is authorized to suspend the provisions of the Public Contracts (Walsh-Healey) Act of 1936 requiring payment of time-and-a-half over eight hours a day or 40 hours a week on government contracts for supplies and equipment which equal or exceed \$10,000. Such suspension may also be extended to the payment of minimum wages proclaimed in certain industries by the Secretary of Labor as the prevailing wage for work of this nature (Public Law No. 671, Section 12). The President has not invoked this authority.

If the contract or work is for the construction or repair of public works (buildings, ships, for example), the Bacon-Davis Act of 1931 requires that employees must be paid any minimum wage which the Secretary of Labor proclaims as the prevailing rate in the locality. The contractor must file an affidavit weekly with respect to each employee certifying that the required wage was paid without rebate or reduction.

• **General Labor Policy**—The Defense Commission has issued an over-all statement of policy governing the letting of contracts, transmitted by the President to Congress, with his approval, under date of Sept. 13. The text with respect to labor reads, in part:

"All work carried on as part of the defense program should comply with federal statutory provisions affecting labor wherever such provisions are applicable. This applies to the Walsh-Healey Act, Fair Labor Standards Act, the National Labor Relations Act, etc. There should also be compliance with state and local statutes affecting labor relations, hours of work, wages, workmen's compensation, safety, sanitation, etc."

As construed by Sidney Hillman, la-



GOING WEST

In Los Angeles harbor last week the United States Liner Washington, now under charter by the Navy, loaded up with 400 National Guardsmen, 1,000 skilled civilian workers, and tons of equipment and supplies (above) intended to bolster defenses in Hawaii and other outlying Pacific bases.

bor member of the Defense Commission, this policy would permit "black-listing" for defense business of any and all firms which have appeals pending in the courts from NLRB orders. Other members of the Defense Commission took exception to the policy enunciated by Mr. Hillman and it will not be permitted to interfere with the necessities of the defense program (BW-Oct5'40, p7). This means that firms against which labor board orders are outstanding are likely to be passed over unless they are the only adequate sources of supply.

• **Control of Exports**—In order to serve the defense program the President has authority to curtail or prohibit the export of any military equipment or munitions, or the machinery, tools, material, or supplies necessary for its manufacture, servicing, or operation (Public Law No. 703, Section 6). Articles refused export licenses under the foregoing authority may be requisitioned by the President for use or sale by the government (Public Law No. 829).

• **Dollar-a-Year Men**—Numerous men have come out of industry to join the staff of the Defense Commission and other agencies under a provision of Public Law No. 667. This permits employment, until such time as the President shall declare the present emergency at an end, of "any person of outstanding experience and ability" at \$1 a year.

• **Draft Deferments**—Under the Selec-

tive Training and Service (Conscription) Act, male persons between the ages of 21 and 36 are subject to a minimum of twelve months' military training. There are minor exceptions, but no exemption or general deferment is provided for employees of any manufacturing establishment. The President, however, may provide for deferment "of those men whose employment in industry . . ." is necessary for national safety or interest (BW-Oct12'40,p50). Such deferment must be established on the basis of individual cases; no deferment can be made by occupational groups or groups of individuals in any plant. Deferments will be determined in the first instance by local draft boards.

• **Guard Service**—Under the so-called National Guard Resolution, employees who are members of any reserve components of the Army may also be ordered into active service by the President. Persons under 18 years of age must be honorably discharged, and any person below rank of captain may, because of persons dependent upon him for support, resign or be discharged upon request made within 20 days before the date fixed for active service.

• **Rehiring of Trainees**—The law requires employers to rehire employees following their period of military training, unless the employer's circumstances have so changed as to make it impossible or unreasonable to do so. Former employees are given 40 days after termination of their service period within which to make application. If still qualified for the position formerly held, the employee must be restored to that position or a position of like seniority, status, and pay. For the purpose of seniority and insurance or other benefits that are offered by the employer, employees returning from military service shall be treated as though they had been on leave.

FLYING AID TO BRITAIN

Fly-away delivery of bombers to Britain will be tried on a substantial scale this fall. So far, only a few ships have been flown across. About 50 Lockheed Hudson two-engine bombers are being held in this country pending installation of radio equipment. When this is done, they will be flown across to give the procedure a real test.

Previously flights have been impeded by work incident to installation of extra gas tanks in bomb bays and flotation gear (inflatable safety pontoons) in the wings. This involves as much work as the partial disassembly and reassembly necessary in ship transport. But it's now becoming increasingly difficult to arrange transport, and unless serious losses should result, the saving in time, plus freedom from submarines, is likely to mean that most large ships will be flown next spring.

"I've Travelled Half a Million Miles this Way!"

Says

A.C. DODGE

Vice-President in charge of Sales,
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The diversified contacts of Fairbanks-Morse with industry necessitate much travelling by its executives. Mr. Dodge says: "Several times each year I make a trip covering our important branches and factories... spending two or three days at each point, crowded with conferences and pressing details. Thanks to the restfulness of Pullman travel, I reach home as fit as when I left. *I estimate I've travelled over half a million miles by Pullman.*"

Fairbanks, Morse & Co. is in its 111th year, and Mr. Dodge is in his 33rd year with this firm! They're largest makers of heavy Diesels and scales of all types. Also make much other equipment for industrial and home use.

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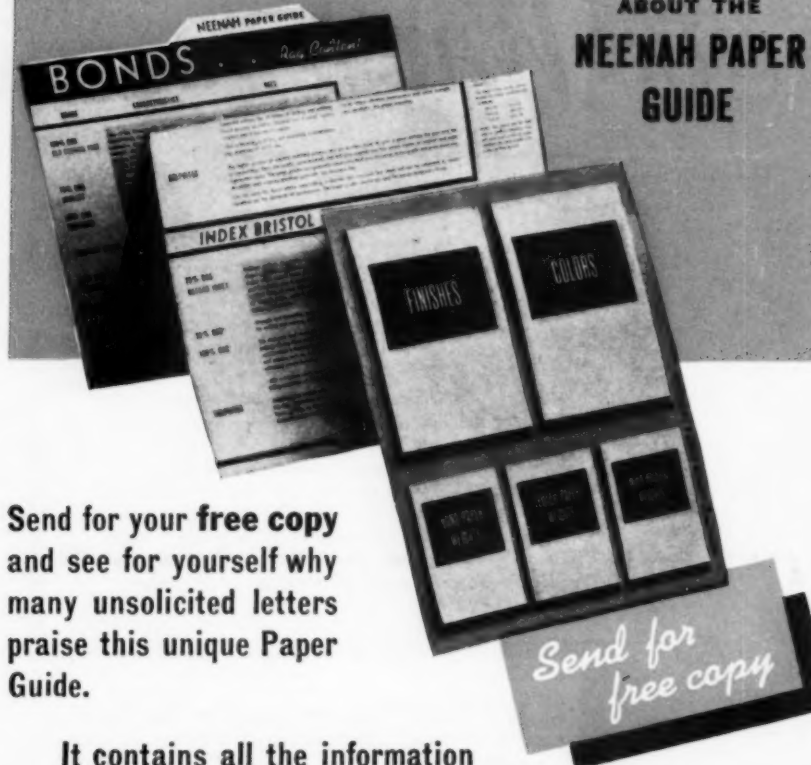
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Fuel for Planes

Petroleum industry ready to produce high-octane gasoline as fast as it can be used, but storage capacity is needed.

After months of apparent indecision, the joint aeronautical board of the War and Navy Departments announced last month a revised program for the purchase and storage of 100-octane gasoline. No figures were given out, but the basic principle is to purchase sufficient aviation gasoline to fuel the number of planes expected to be actually on hand at this time next year. Purchases will begin immediately and continue for the entire year.

The plan is understood to call for having in storage by the end of 1942 some 7,500,000 bbl. of 100-octane fuel. This bulk of gasoline had been generally understood as the goal for the end of 1941, but rumors that the figures would be whittled down have been in circulation for the past fortnight. General surmise in the oil trade is that the leak was inspired in the hope of bringing down the price of 100-octane gasoline from 17¢ a gal., the prevailing price at the refinery, to 15¢, the figure that the military buyers have been gunning for.

• **Grading System Changed**—Another advance toward a workable program came last week with the reduction of Army and Navy specifications from five grades to four. The new grades are: 65 clear octane (for pleasure and training planes); 73 octane, with 1 cubic centimeter of tetraethyl lead added per gal. (same uses); 91 octane, with 4 cc. of lead (for transport and passenger types); and 100 octane, with 3 cc. of lead (for pursuit, interceptor, and bombing ships). Also a few of the very latest transport planes are built to require 100-octane fuel, and it is certain that eventually all transports will be built for this grade of gasoline, since it steps up both performance and payload.

Simplification of aviation-fuel specifications should bring the plane-gasoline defense program to earlier completion, and will save large sums to refiners and users. The smaller number of grades reduces the number of steps in blending and manufacturing, and cuts down the number of storage tanks required to keep grades separated. Originally there were 12 aviation grades. Now petroleum technologists think the present four may well be reduced to three by consolidating the 65-octane and 73-octane grades. • **115-Octane Grade Foreseen**—Eventually it is probable that another grade, 115-octane, will be superimposed upon the others. The American oil industry can now produce this grade without difficulty in commercial quantities from

presently available materials. When planes are built with engines to utilize 115-octane fuel, their performance will be tremendously better than is possible with mere 100 octane.

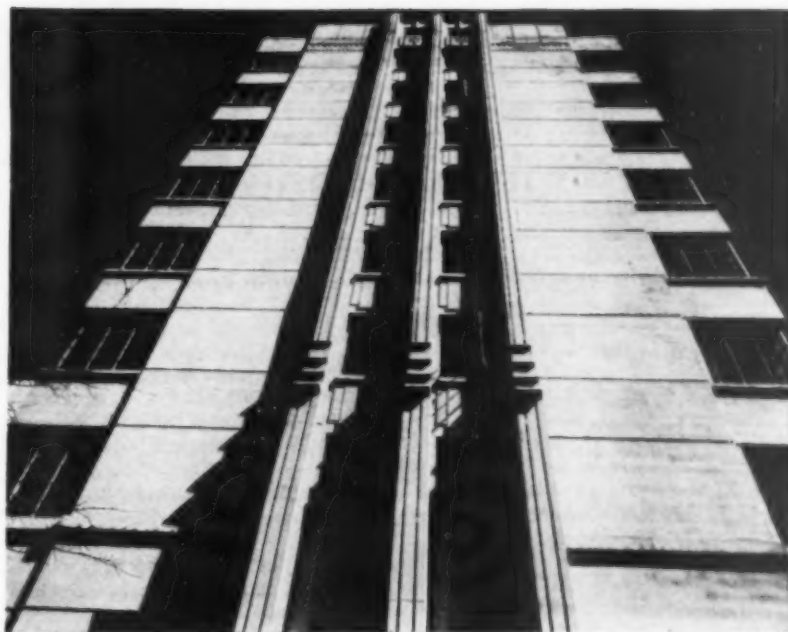
Few U. S. defense materials are in the rockribbed condition of aviation-fuel supply. Several plants for producing high-octane fuels or blending agents by various processes were under construction a full year ago (BW-Dec30'39, p23). Some of these are already in full production. Several plants subsequently have got under construction as part of the defense program. Other high-octane plants are on drawing boards, ready for bids. And the end of such planning is not yet in sight. Dr. R. E. Wilson, the Defense Commission's oil expert, remarked recently that about 20 refineries now have 100-octane aviation fuel available in quantity at prices around 17¢.

• **How Rating Is Achieved**—All 100-octane aviation fuels are blends. Their base is gasoline either distilled or cracked from a crude that yields grades running anywhere between 73 and 80 octane. To the base stock is added iso-octane, neohexane, isopentane, or alkylated gasoline to bring it up to about 87 octane and to build up the exact specifications desired in volatility and other qualities. Finally, 3 cc. of tetraethyl lead per gal. is added, which raises the octane rating to 100. These blending processes are, of course, extremely delicate and to be entrusted to only the most highly skilled technicians.

There are no bottlenecks in the industry, says Dr. Gustav Egloff, director of research for Universal Oil Products Co., and one of the best-informed experts on high-octane material. The refiners can produce any quantity of 100-octane gas that can be conceivably demanded of them, and they already have greater capacity to produce than the capacity to consume of all airplanes equipped to use it. Adequate raw material is at hand, and additional plant capacity can be brought into production faster than new airplanes can be built. One widely accepted estimate of national requirements on a peacetime preparedness basis is 17,400,000 bbl. a year. The regular output of automotive fuel runs close to 500,000,000 bbl.

• **Places to Put It**—Storage capacity called for by the defense program is by no means ready, and if even the plans for it are complete they are still being kept under cover. It will take several months to build the underground tanks that military considerations demand. The two types of tank construction most discussed among experienced oil storage men are the tank set into comparatively level ground by complete excavation and backfill, and the tank set in a hollow where less earth must be moved to get it out of sight.

Opinion seems general that gasoline-tight concrete walls must be built as ex-



New Apartments designed for investment profit with **CONCRETE**

Today in many cities hard-headed business men are intelligently planning and financing new apartments for middle class incomes. By building with concrete, these men are securing buildings that combine the sales-appearance of good appearance with low first cost, low maintenance, firesafety and long life. Operating costs and interest on the investment are at a minimum, and as a result modest rentals assure stable, high occupancy at a profit.

Your architect or engineer can tell you about the unique advantages of building with concrete. Write for illustrated booklet, "The NEW Beauty in Walls of Architectural Concrete" (mailed free in the U. S. or Canada), or ask for a representative to call.

• Designed for architectural concrete, the Kimbrough Towers is the talk of Memphis, Tenn. John F. Kimbrough, Jr., realtor; H. M. Burnham, architect; H. B. Hulsey, associate architect; Gardner & Howe, structural engineers; S. & W. Construction Co., contractors.

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terior shells around the steel tanks, and that the cost of putting tanks far enough underground to be bombproof is excessive as compared with the probably satisfactory results attainable by getting

merely enough earth above the tanks to permit cultivation and a completely natural appearance of the terrain to prevent successful spotting and bombing from the air.

Call for Doubling Plane Program

Total of aircraft for which Knudsen sought auto aid for mass production now raised to 32,000, with 12,000 for British. Present output causes concern in Washington.

All the indications are that the defense aircraft program is about to be doubled—from 35,000 planes to nearly 70,000. Its imminent expansion was announced prematurely by the President—he wanted to get under the Nov. 5 wire—and plans are still much vaguer than you'd be likely to assume from the publicity. However, they are on the way. As revealed last week (BW—Nov. 2, '40, p. 17), the automobile industry, which has been skeptical of the airplane people's ability to build in quantity, is going to get a plane program of its own.

• **32,000 More**—Last week's figures on this have already been raised. Best guess now at the dimensions of the new plane program is that it will involve some 32,000 planes. Of these 20,000 would be for the United States, 12,000 for Britain. Expected splitup of the American order: around 10,000 trainers, 6,000–7,000 medium and heavy bombers, 3,000–4,000 pursuit ships. The British will want combat ships and the talk is of 5,000 or 6,000 bombers and 6,000 or 7,000 pursuit ships for them. Incidentally, the 12,000-bomber program, which leaked out last week includes both British and American requirements.

Building this new bloc of 32,000 planes will be a job for the automobile industry and the car makers are already setting up an organization to supervise parts production for some of the bombers in existing plants. Further developments along this line will come when the British work out details of the plans on which they are still negotiating and when Congress puts up the money for the American share of the program.

• **Assembly Plants**—Washington also springs the report this week that Congress will have to put up for new plane-assembly plants in the Detroit area—perhaps as many as 15—to put together the parts fabricated by the auto makers. It figures that this job cannot be done in the auto plants or superimposed on the present big task of the plane builders. Total appropriation is put above \$3,000,000,000.

This new program is superimposed on the already established schedule of 35,800 airplanes by July, 1942. Detroit will have to spend months on the production lines before its planes start rolling off in any quantity; so this 100% boost

is a long-range plan. In setting it up, the Defense Commission may have taken a leaf from Germany's book. The Nazis maintain what is essentially two aircraft industries—one to develop new models and produce comparatively short runs for test; the other to take tested and frozen models and grind them out. We have got started with the people who already make airplanes; mass production or no mass production, they are our first line for immediate production. Now we seem to be moving on toward the grind-them-out phase.

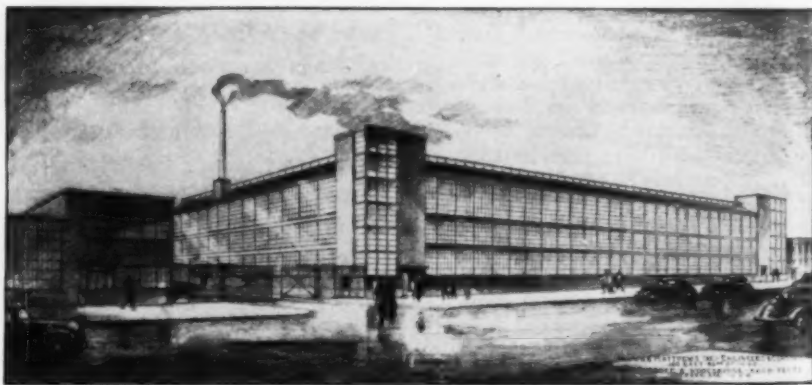
• **Watching Schedule**—There is considerable concern in Washington about airplane output. The original program laid down a production schedule which would require an output of 1,150 units in October, 1,250 in January, 3,000 a month by July, 1942. If these schedules were met, the original 35,800 planes could be turned out by the spring of 1942. However, production is now reported to be running only between 900 and 1,000 a month. One major factor blamed is the understandable concentration of airplane-company executive and staff attention on plant expansion.

The British are said to be getting particularly worried. Total production in-

cludes trainers and they are interested in combat ships. They took delivery of 350 planes in August, less than 300 in September and not many more in October.

• **Mass Production Wanted**—These results are credited with turning Defense Commissioner Knudsen toward Detroit in his quest for faster production. Equally important, however, was the conviction, based on his tour of airplane factories, that the airplane industry just isn't geared for mass production. (Airplane people say you can't have mass production when you number output in thousands rather than hundreds of thousands.) Finally, he was impressed by the British experience that, while shadow plants for planes attached to automobile plants were slow getting into production, they really turned out ships once they got rolling.

• **On Order**—Of the original 35,800-plane program, the British share is 14,300, of which all but 2,430 are combat types. Recent British orders have been drawn on the basis that they will buy all the planes allocated to them by the Defense Commission. From the rest of the original program, 14,400 planes are scheduled for the U. S. Army Air Corps—8,225 combat ships and 6,175 trainers. All of these have been ordered (plus some 4,200 beyond the original program for later delivery). The Navy will get 7,100 of which 5,325 will be combat types. Manufacturers have received "letters of intent" on most of these, but it was only last week that the Navy began placing large orders. Martin received a \$106,125,396 contract—presumably covering about 700 two-engine patrol bombers. Previously the Navy had ordered about 100 two-engine interceptors and about a dozen single-engine fighters from Grumman plus some 1,000 trainers, most of them Curtiss.



WINDOWED DEFENSE PLANT

Back of the design of the new "all-window" plant for Edo Aircraft Corp., soon to be built at College Point, Long Island, is the thought that no building can resist a direct bomb hit, but it can be built to minimize effects

of concussion. There will be no parapets to tumble on workers. Inside wire screens will halt flying glass. Heavy curtains will take care of blackouts. The roof will be easy to camouflage. Architects are Evans, Moore & Woodbridge; constructors, Brown & Matthews, Inc., both of New York.

PRODUCTION

More Lab Dollars

Meat-packing industry is looking for still bigger return from pharmaceuticals, on which profit margin is higher.

Meat packers admit they get credit for a better job of by-product utilization than they really deserve. The other day President George A. Eastwood of Armour & Co. told the annual meeting of the American Meat Institute (*née* Institute of American Meat Packers) that the industry is accepting pennies for portions of the animal which research can make worth as many dollars. He urged finding high-value uses for tannage wastes and for commodities too plentiful to be eaten up.

To make his meaning clear, Packer Eastwood cited cholesterol (\$10 per lb.) which his company has recently learned how to extract from beef spinal cords (1¢ per lb.). Du Pont is completing a plant to fortify poultry feed with vitamins and hormones from this source. High-toned beauty preparations use Armour cholesterol as a cosmetic base because it spreads but is not greasy.

• **Glands, for Instance**—Even more sensational price contrasts could be found in other products developed by

Armour's 125 scientists and their laboratory helpers. Suprarenalin, which is made from nickel-a-pound suprarenal beef glands, retails for \$10,000 per lb. Bilirubin, sovereign remedy for arthritis, sells for \$20 per oz. and comes from beef bile otherwise worthless. Admittedly it takes a lot of raw material to make a pound of precious pharmaceuticals, but the margin is a lot juicier than on sidemeat and sowbelly.

Armour's first biological was pepsin, which it pioneered 50 years ago, more as a settling agent for beer than as a drug-trade commodity. The firm rested on its pepsin laurels until 1927. Then it was probably first in the field to make liver extract commercially, new-found treatment for anemias. New products, mostly glandulars, followed rapidly, until today the line contains 67 basic products in thousands of compounds, sizes, and variants. Last month an insulin unit went into production. The company has a full line of surgical sutures, with and without needle. Armour pursues medically "ethical" sales policies as meticulously as Eli Lilly or Parke Davis, and its name ranks among the leaders.

• **And the Fatty Acids**—Chemicals, as distinct from drugs, are newcomers to Armour. Biggest Armour triumph is its patented process of fractionating fatty acids after removing the glycerine from fats and oils (BW-Jul13'40,p30). Armour executives privately say that any



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sponding to your locker, and turn a knob. When the door swings open, there's your locker, automatically. The wheel system, a development of Armstrong Cork Co., Lancaster, Pa., can be arranged for 100 or 160 lockers, or multiples thereof.



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If anything could cut and tear a conveyor belt, it is the heavy impact, razor-sharp edges and brute weight of a load like this. Yet this 6-year old HEWITT Belt still has a long service life ahead of it—keeping material handling costs at rock-bottom levels in one of the country's important quarries. That's because the bodies of HEWITT Conveyor Belts are built with extra strength—and are guarded by exclusive HEWITT-developed rubber and synthetic rubber compounds. They all have extra surface toughness, greater resilience and the flexibility to resist the impact and "creep" of heavy loads on steep grades. Whether your belts must stand off abrasion, moisture, weather-checking, heat, oil or dust, there is a HEWITT Belt made to do your job longer, with fewer costly service interruptions. Hewitt Rubber Corporation, Buffalo, N. Y.

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HOSE • CONVEYOR & TRANSMISSION BELTS • PACKING

one of a dozen laboratory projects growing out of the fractionating development might be big enough to pay off the company's total debt. The new still separates the mixture of fatty acids into seven major fractions, gives the research staff some entirely new chemical compounds to play with. This business is big-scale: the volume is running into millions of pounds for its first year.

An exciting current development of fractionating is the amine line. One amine floats sand to the top for cheap separation from phosphate, or from potassium chloride. Other uses for other Armour amines: anti-foaming and algae-retardant agent in water supplies, or cleaner and scale-preventive in boilers; insecticides substituting adequately for imported pyrethrum; dye intermediates; water-resistant coating used by du Pont on cellophane. Primary amines make detergents and wetting agents for textiles.

• **Also in the Family**—Chemical cousins of the amines are the ketones, rapidly developing a line of excellent coatings, waxes, and polishes. One makes a lacquer for food cans, such as shrimp requires. Another, which researchers expect to perfect at any moment, would be a rust-resistant coating for black iron. If they reach it, they hit the jackpot, for ketone-coated cans could replace tin cans and tin would drop from its pre-eminent position as a strategic material.

Awfully Quiet

**Super-sound-conditioning
is achieved in listening lab of
Westinghouse at Springfield,
used for testing motors.**

When a room is so quiet that it makes the ticking of a fine 17-jewel watch sound like the tapping of a small mallet, and a snap of the fingers like a pistol shot, that's super-sound conditioning. Just such a room is the new super-quiet "listening laboratory," at the Springfield (Mass.) plant of Westinghouse Electric & Mfg. Co., used for final inspection of motors for electrical refrigerators.

• **Quieter Than a Church**—Unlike the usual sound-conditioning in factories and stores and offices (BW—Oct 19'40, p45), wherein it is hardly desirable to eliminate the last sound waves of noise, the new room, which is right in the midst of a larger production room, is designed to be quieter than a city church at three o'clock in the morning. To isolate it from floor vibrations, 20 high-tension steel springs "float" it off the plant floor. Its walls are a foot thick, composed of layers of concrete, dead air space, tile, mineral wool, and felt. In addition, soft pads on the walls

soak up interior noises like a blotter and prevent echoes. Strangely enough the room has no doors, but instead, un-closed labyrinth openings, in and out, each with five right angle turns to act as baffles to incoming noises. Through the labyrinths and the room flows a quiet overhead conveyor which carries motors in and out.

• **Hearts are Heard**—In operation, the noises which manage to seep into the laboratory when the plant is at its noisiest are "about equal in volume to the faintest rustle of wind in the country." When the plant shuts down for lunch, it is so quiet that the three inspectors who work in the super-quiet room think they can hear each other's hearts beat. Though there are excellent devices for measuring sound, human ears must perform the work of listening to the motors, because "sound meters do not register sound in the same way that humans hear it."

Mazlo Expanding

American Magnesium has alloy plants on three-shift basis and adds new foundries with view to tripling output.

With an annual magnesium production of 25,000,000 lb. in the offing (BW—Sep 21 '40, p. 20), it is not altogether surprising that American Magnesium Corp. is completing plant expansion to triple its output of Mazlo fabricated magnesium alloys. Already, the corporation, which is owned jointly by Aluminum Co. of America and General Aniline & Film Corp., absorbs well over half of "industry's lightest metal" produced by Dow Chemical Co., the only American supplier.

Most of Mazlo plants are operating on a three-shift-a-day, full-capacity basis, according to Wiser Brown, first vice-president and general manager. Others are being placed on that basis as soon as personnel can be trained. At Cleveland, the foundry where castings for aircraft engines, bombing-plane wheels, and other defense necessities are made is producing 350% more than in July, 1939, and the plant for magnesium powder (used in tracer bullets and flares) is manufacturing "ten times normal peace requirements."

In Buffalo, the new foundry will have an output exceeding the Cleveland foundry as soon as skilled labor can be trained. A plant erected in Los Angeles a year ago is about to have a new building doubling its production capacity. A new die-casting plant has just been erected and equipped at Garwood, N. J. A new mill for magnesium sheet production at New Kensington, Pa., completed in August, has gone through its pre-

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DISSTON HAS THE EDGE

NEOPRENE

New in 1931...

AKRON, Ohio, Nov. 2, 1931—The development of a new synthetic rubber by E. I. du Pont de Nemours & Co. (Inc.) was announced tonight at a meeting of the rubber division of the American Chemical Society.

News in 1940!

WASHINGTON, D. C., June 14, 1940—E. I. du Pont de Nemours & Co. (Inc.) reports that the present production of neoprene totals 550,000 pounds per month. This is an increase of over five times the production of one year ago.

For nine years neoprene has been making news...good news for engineers in all branches of American Industry. These men have found neoprene to be the answer when longer-lasting, money-saving resilient materials are needed. Today Industry is depending on time-tested neoprene for use in products and processes vital to our defense program.

What is Du Pont neoprene? Many people call it a "synthetic" rubber. But actually neoprene is much more than that. Rubber manufacturers are making products from neoprene that have many of the advantages of natural rubber products... strength, elasticity and toughness. But neoprene products have *extra* advantages... resistance to oil, heat, aging, sunlight and many chemicals.

What is Du Pont neoprene used for? From the half-million or more pounds of neoprene Du Pont is now selling every month, rubber manufacturers are perfecting many products made of this amazing material...from gaskets to kitchen utensils...gloves to oil hose. These and hundreds of other products are breaking service records wherever they're used.

Now is the time to look into neoprene... either for the products you make or those you buy. We'll be glad to place our technical experience at your disposal. Send the coupon below or write us on your letterhead.



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City..... State.....

liminary "shakedown runs" and is getting into full-scale operation.

Meanwhile, at Fairlawn, near Paterson, N. J., the Wright Aeronautical Corp. (subsidiary of Curtiss-Wright Corp.) is including in its 2,500,000 sq. ft. of new defense construction in the Paterson area and at Lockland, near Cincinnati, the nation's first magnesium foundry for the manufacture of castings for aircraft engines exclusively." According to G. W. Vaughan, Curtiss-Wright president, the completion of the new 200 x 500-ft. building will permit the segregation of magnesium and aluminum casting operations.

NEW PRODUCTS

Baseless Reducer

The American Reduction Drive for applications from $\frac{1}{4}$ to 30 hp. is a new type helical-gear speed reducer, manufactured by American Pulley Co., Philadelphia, which mounts directly to the



shaft of the driven machine and requires no mounting base. The unit itself has a standard fixed ratio of 13:1, but practically any reduction can be achieved by changing the diameters of the driving and driven pulleys in the primary drive from the motor to the unit.

Self-Finding Golf Tees

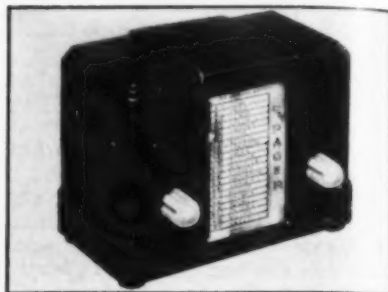
Just a little fluorescent powder added to the du Pont Plastacele in Flor-S-Ent Plastic Golf Tees makes them shine sufficiently under the light of the sun to render them easily findable. American Molded Products Co., 1753 N. Honore St., Chicago, makes them and a handy plastic holder.

Air Revivifier

As air recirculates through an air conditioner, it tends to pick up odors and to become "lifeless" and uninvigorating. To remedy this, the chemists of Airox Co., 366 Madison Ave., New York, have formulated Airkem, a new liquid which vaporizes right in the innards or ducts of a conditioner to oxidize the organic materials responsible for the odors, to introduce a substance which freshens the air without perfuming it, and to impede the growth of bacteria and molds.

Automatic Pager

A twist of the radio-like knob at the left sets the pointer of the new Autocall Pager to any one of 20 names; a twist of



the right-hand knob transmits the "code signal" of the wanted party to any number of stations throughout a plant or store. Autocall Co., 110 Thomas Ave., Shelby, O., makes it for connection to "musical chimes, mellow-toned bells, or sharp and insistent gongs."

Quick Square Roots

Shortcut to the extraction of a square root is a table printed on a single letter-sized sheet by Marchant Calculating Machine Co., 1473 Powell St., Oakland, Calif. With it you need only one addition and one division to secure an answer significant to five figures. Marchant also has a similar cube-root table.

Flame-Cutter

Squares and rounds from 2 in. to 15 in. cross section are flame-cut quickly and squarely by the automatic new Oxweld CM-35 Bar-Cutting Machine.



Linde Air Products Co., 30 E. 42nd St., New York, makes it. The operator ignites the oxy-acetylene flame, and the machine does the rest by means of an inbuilt spring-power unit which swings the torch at optimum cutting speeds.

MARKETING

Fair Trade Tests

In liquor, problem is how to save it; in groceries how to start it. Rest of U.S. watches battle in New York City.

As the country's biggest single market for almost every class of retail goods, New York City is important enough in itself. But, additionally, it has a spreading influence. Manufacturers like to keep their merchandising policies uniform, are apt to tailor country-wide policies to the New York market.

Both enemies and friends of the fair-trade laws have consistently recognized the pivotal character of the New York market. Enemies have felt that if they could void minimum resale price maintenance in New York, the fair-trade laws would eventually topple elsewhere. Agreeing, fair tradists have sought to entrench themselves in New York.

• **Two Fronts**—Currently, the fight over fair trade is being waged in New York in two fields—liquor and groceries. That in liquor has been well publicized (BW—Sep28'40,p44), is now approaching a

showdown. The one in groceries is just getting under way.

Liquor fair trade in New York has had its ups and downs. Liquor was still a new industry when, in August, 1937, President Roosevelt signed the Miller-Tydings amendment to the Sherman Act, which removed state fair-trade contracts from possible attack under the Federal antitrust laws. With all the vigor of youth, liquor dealers' associations went to work. In less time than it took the drug industry to organize, liquor dealers lined up distillers and persuaded them to get out contracts fixing minimum prices on a majority of the standard brands.

• **Trouble Source**—The dealers didn't have the same success with the owners of private brands. Imports and private labels were rarely put under fair trade. And when distillers saw these competitors go free of control, they attempted to gain dealer support for their fair-trade brands by granting extra high markups—often as high as 50%. But this only served to widen the price differential between standard and private brands, and led to under-the-counter price chiseling.

Each year, shortly before Christmas, this secret chiseling has flared into more or less open price cutting. Somehow,



ELECTRICAL AWARD

At the annual convention of the National Electrical Manufacturers Association last week, George A. Hughes (right), chairman of the board of the Edison General Electrical Appliance Co., Chicago, was presented with the annual James H. McGraw Award for

Electrical Men—for his introduction of the first commercially practical electric range in 1910, and consistent efforts for rate reductions to increase the utility load. The award was made by Horace A. Liversedge (left), president of the Philadelphia Electric Co. —C. E. Swartzbaugh, retiring president of N.E.M.A., looking on.

NEW CONTAINER CUTS
COST OF SHIPPING
AND HANDLING

Nails



Are you depriving YOUR Products of these advantages?

Saving storage room, adding advertising value, reducing weight, lowering handling and shipping costs—are but a few of the benefits obtained by manufacturers of nails, screws, washers and other metal products when old type containers are replaced by the modern All-Bound Box. The one-piece All-Bound Box benefits both shippers and receivers. It is easily, quickly assembled—no nails or tape necessary—and it has high customer re-use value.

Your products and your sales force are being penalized unnecessarily unless your shipping container provides maximum protection at the lowest possible cost.

Numerous manufacturers of electrical, steel, chemical and ceramic products have effected maximum shipping economy by using one or more types of General Box containers. A General Box engineer may be able to make suggestions which will add materially to your profits. Just mail the coupon today.

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War conditions abroad, and growing evidence of sabotage throughout our country make it vitally essential to take positive steps to prevent any unauthorized persons from setting foot on your plant property. Like a ring of military sentries, an Anchor Fence surrounds your entire property with a wall of protection through which saboteurs, and trouble-makers can neither sneak nor force their way.

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the trade has managed each time to get back on a fairly even keel after the holidays.

• **Prices Down 45%**—But this year New York's annual price war began early in August as a result of subnormal retail sales following imposition of the defense tax of \$3 a gallon on July 1. For a time the price cutting stayed under the counter, then developed into a war the like of which the turbulent metropolitan market has never seen. Throughout the city, prices have been down 33% to 45%.

Distillers, accused of fomenting the war to get their brands down on a competitive level with uncontrolled private brands, disclaimed all fault. They couldn't they said, sue everybody for failing to maintain contracts. Torn by dissension, the dealers' associations were helpless. The result was a complete breakdown of liquor fair trade in New York.

• **Solution Near?**—While distillers have had to be pushed into fair trade, their principal complaint has been with the 40% average markup they were forced to maintain by retail pressure. The price war has broken the retailers' united front by which they were able to supply the pressure. And last week four distillers—Calvert, Seagram, Carstairs, and Browne Vintners—sought to end the war by putting into effect new fair-trade schedules calling for roughly 30% markups. A fifth distiller, Park & Tilford, restored the former contract markup of 40%.

Whether this attempt at stabilization will succeed or fail is a guess—half the trade seems to think it will and half that it won't. Consumers have been paying \$1.54 a quart for popular blends, and it may be that buying resistance will make it impossible to enforce the new price of \$2.65 a quart. Certainly, it will be impossible to maintain that price unless other standard brands fall into line. Observers think the answer to that one should be known in a couple of weeks.

• **Mandatory Fair Trade**—If the current attempt at stabilization fails, the inevitable result will be a renewed outcry for a law making fair trading of liquor compulsory rather than voluntary. Several states have such laws; New York passed one but it was vetoed by Gov. Lehman. If and when retailers start clamoring again, it will be Kentucky's law that they will want duplicated. Under it, minimum resale prices and profit margins are fixed on the basis of age and proof. Distillers are apt to see eye to eye with retailers on such a law, for under it unknown brands must offer the identical markup of nationally advertised brands of the same age and alcoholic content.

From the standpoint of distillers and retailers, the Kentucky law has, however, two disadvantages: its constitu-

tionality is doubtful, and consumer groups object more outspokenly to it than to the voluntary laws. Suit contesting the constitutionality of the Kentucky law was begun last week in Frankfort, Ky., by the Kentucky Distillers Wholesale Liquor Co.

• **Now, Groceries**—While the question in liquor is whether fair trade shall live or die, the question for the grocery trade is whether fair trade shall be born in New York. Price maintenance on grocery items has had only a limited trial—notably in Ohio, to a lesser extent in parts of Illinois and California, and in a few other scattered areas. Attempts at starting grocery fair trade in New York have been abortive.

However, the present try is being taken seriously by the trade, perhaps largely because the promoters aren't trying to move too fast. As long ago as last winter, a group of wholesale and retail association leaders began getting together to talk things over. Leading figures were Harry R. Socolof, president of the Greater New York Wholesale Grocers' Association, and Charles Ackerman, executive secretary of the United Independent Retail Grocers & Food Dealers Association. Middle of September the group incorporated the Food Distributors Board of Trade, announced that it would work to improve conditions in the trade "through proper application of the fair-trade laws."

• **Selling Dealers**—Thus far, the activities of the F.D.B.T. are described as "educational." Last week calls were begun on retail grocers, and eventually the organization expects to call on each of the approximately 20,000 independent food dealers in Greater New York. Purpose of the calls is to tell the grocers about fair trade—often enough, say the leaders, the dealers have never even heard of such a law—and to find out if they are willing to observe minimum resale prices if manufacturers will establish them.

Final purpose of any such organization is the formation of a system of enforcement. Experience in all lines has shown that fair trade depends upon the pressure supplied by organized independents. Prime example of that came recently (BW—Oct26'40,p52) when Kraft Cheese Co. of San Francisco established fair-trade prices for its products in California, with the understanding that the contracts will be maintained only in areas where retailers are banded together for enforcement.

• **Selling Manufacturers**—Once the F.B.D.T. has lined up the New York grocers, it will take the results of its "survey" to manufacturers, attempt to convince them that fair trade on groceries is the thing for New York. That won't be altogether easy, for the current worry of most manufacturers is the growing threat of private-brand competition (BW—Oct12'40,p27).

*Which is most
important in
your business?*

A PLANT or branch plant located in the State of Illinois has proved profitable to manufacturers in many industries because of the production, distribution and marketing advantages they have gained by this move. All of the following profit factors are available in Illinois. Which is of most importance to your business?

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MACHINERY AND EQUIPMENT supply and service companies located close to all industrial centers.

PLANT SITES in all sections of the State provide every facility or combination of facilities required.

ALL OF THESE are important to all business in certain degrees. But in most industries, certain ones are the determining factors in selecting the location of a new plant or branch plant.

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Liquor Men Unite

New conference set up to represent Beverage Importers, Spirits Rectifiers, and National Distilled Spirits Institute.

As forecast (BW—Sep7'40,p44), the embattled liquor men last week set up a united-front organization designed to deal with the general problems of their industry.

Styled the Conference of Alcoholic Beverage Industries, the new organization has as temporary officers Munson G. Shaw of the National Association of Alcoholic Beverage Importers, chairman; Felix Goldsborough of the League of Distilled Spirits Rectifiers, vice-chairman; Howard T. Jones of the Distilled Spirits Institute, secretary.

• **Without Membership Fees**—Organized by these top trade groups, the conference intends eventually to embrace all other divisions, including wholesalers, retailers, and allied trades. There will be no membership fees and the existing trade groups will continue to handle their own particular problems.

The conference has been in the offing ever since Schenley's withdrawal from the Distilled Spirits Institute last spring climaxed liquor's organizational spats. The stage was carefully set for it in New York last month when astute Harry Laurie persuaded his importers' association to offer "fullest cooperation to unite with other divisions of the industry in solving common problems."

• **Streamlining for Institute**—Schenley was not represented at the creation of the conference but is expected to lend its considerable support by eventually rejoining the Distilled Spirits Institute, since the conference meets Schenley's desires for an all-industry organization. And the institute, relieved of general trade problems, will become a streamlined distillers' trade association under the leadership of Howard T. Jones, able lieutenant of his four successive chiefs: Doran, Morgan, Baxter, and Sturges.

Drys and taxes, both surging upward with national defense, are chiefly responsible for this latest move. Divided, the liquor industry has been easy prey for both. Taxes have reached the highest peak in history, and the drys have just won their first major victory since repeal in South Carolina, where an "advisory" referendum told the legislature that a majority want Prohibition again. In Oklahoma, where the wets are putting up a stiff fight for repeal, the drys are also scheduled to win.

United in one big conference, the industry hopes to be able to combat its twin scourges more successfully than did the multiplicity of associations, leagues, and institutes in the past.



LUNCH ON THE RUN

In less than a year the Wright Aeronautical Corp., Paterson, N. J., has increased the number of its plants from one to three, its employees from 4,500 to 13,000. Wright ran into a

lot of new problems in feeding its employees too. Even three cafeterias couldn't do the job satisfactorily. But now the problem has been solved by a battery of 12 mobile lunch counters, which tour all three plants at regular hours every day.

Same Tube, But—

Toothpaste cartons are smaller as manufacturers fall in line with FDA requirements by using new types of containers.

When you buy a tube of toothpaste nowadays you may think you're getting less for your money than a year ago, but it's merely an optical illusion. You are getting less carton, but the same amount of toothpaste.

The reason for this is that the Food and Drug Administration is just about ready to write "finis" to the battle which started about a year ago when FDA seized shipments of all manufacturers but one of nationally advertised brands of toothpaste, charging the cartons were deceptively large (BW—Oct28'39,p8). Many seizures of lesser known brands were also made. The single national distributor whose product was not seized, and who was looked upon by the administration as a shining example, had his cartons filled by hand while he was changing over his machinery.

• **The Negotiations**—Most of the large manufacturers formed a committee under auspices of the Packaging Institute of New York. Its chairman was William M. Bristol, Jr., vice-president in charge of production of Bristol-Myers (Ipana). The committee held several conferences with FDA officials. Much groaning was heard because FDA insisted that tubes be placed diagonally in cartons to elim-

inate as much air space as possible. At first, manufacturers said it couldn't be done. When they found FDA meant business, they evolved new types of cartons which Commissioner W. G. Campbell said met the spirit of the new law.

No specific date was set for introduction of the cartons. FDA said it should be done as soon as the necessary machinery changes could be made. A check of plants by the agency shows the new-type cartons are now being used by all but one or two manufacturers.

N.R.D.G.A. LOOKS AT WOOL

Although the recently-enacted Wool Labeling Act does not become effective until July 14, 1941, the National Retail Dry Goods Association is promoting the idea to manufacturers that the best way to avoid trouble next summer is to start complying with the law immediately.

N.R.D.G.A. has written to its member stores suggesting that they inform their own personnel, from buyers to shipping clerks, about the provisions of the law, and in addition insist that manufacturers guarantee that they have not and will not falsely label wool products or neglect to label them within the provisions of the law. The retailers are told that specific guarantees should be placed on every invoice.

The guarantee from a manufacturer will protect a retailer, unless bad faith is involved. The question of bad faith may be important if labels prove to be so inaccurate that the store buyer should have recognized that the goods were not as labeled.

The Regional Market Outlook

PHILADELPHIA—Spurred by defense, expansion in this district is coming in \$10,000,000 bunches—at the Quartermaster's Depot here, the Philadelphia Navy Yard, at Cramp's Kensington shipyards, at New York Shipbuilding's Camden yards, and at Westinghouse's Lester plant. Bendix Aviation has taken over the old Atwater Kent factory, which has been idle since 1932; at peak production, employment may reach 10,000.

Consumer-goods lines—hosiery, cloth-

ing, shoes, cottons, woollens silks—have continued to advance; and now are at higher levels than a year ago for the first time since April. But Allentown, Altoona, Bethlehem, Harrisburg, and Johnstown—cities in which capital goods and defense industries dominate economic activity—have been showing the sharpest gains in payrolls and, consequently, in retail sales.

Farm income in this area is running but slightly above 1939, because dairy products, the principal agricultural line, have been stable in price and volume. However, the weather has been good, and since demand rises with urban payrolls, farm receipts should attain 1937 levels in the coming months.

Due to the war, oddly enough, a demand for flower and vegetable seed has developed. South European supplies have been cut off, so that exports to England and South America have been booming; and farmers are complaining about high seed prices.



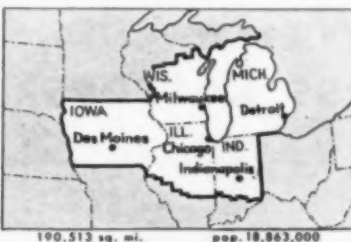
CHICAGO—Business possibilities—of boom proportions—appear brightest in the Michigan and other auto centers. New-car assemblies are running at about 120,000 weekly; record-breaking fourth-quarter output is probable. Moreover, new plants are being built and old facilities turned up for work on more than half a billion dollars of government orders.

The government's truck-buying program alone is said to involve another \$175,000,000, and blueprints for a gigantic bomber-building project (BW—Nov 2'40,p17) include \$500,000,000 of sub-contracts to the automobile industry for mass production of parts.

Most other industries are doing well, too. Steel mills are entering a sixth successive month of near-capacity operations, most machinery firms are busier than in 1929, and furniture, freight equipment, and other durable goods are showing good gains over 1939. All in all, payrolls

in both durable and non-durable goods have attained the peaks established in 1937 and now are headed for even higher levels.

Farm income thus far in 1940 has been 10% higher than a year ago, despite a drop in AAA benefits. As a result, sales in rural places (of less than 2,500 population) are running some 5% better than they were in 1939. The high level of urban buying power has lifted the gain for the entire district 8.5%.



SAN FRANCISCO—Southern California has now begun to outstrip the Pacific Northwest in point of sales gain over 1939—as predicted (BW—Mar 9'40,p14)—while this city and the surrounding Bay region continue to lag.

These variations are directly traceable to manufacturing payrolls, which are up only 6% in San Francisco; 15% in the Pacific Northwest, and 32% in Los Angeles.

Aviation expansion and citrus-fruit re-



ceipts to a lesser extent have boosted income levels in Southern California. Shipping in and out of this city has been off and consumer-goods operations have been "slow."

In northern California, Oregon, and Washington, lumbering—which has been sustained by high residential, military, and other construction demands—has been a bullish influence on payrolls. October production exceeded both the 1937 and 1939 peaks.

Defense activities promise further business expansion—shipbuilding in the Bay region (BW—Oct 12'40,p14), copper mining in Arizona and Utah, aviation in the Los Angeles area. Seattle, Wash., however, seems due for the biggest gains. Government shipyards at Bremerton and private yards at Seattle will be building \$250,000,000 of warships, and no limit has been set for expansion of Boeing Aircraft Co.'s capacity to produce "flying fortresses."

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New Bank Unit

Factoring is provided for Los Angeles garment industry by Bank of America. Two types of service is being sold.

Bank of America executives believe the Giannini institution is the first bank to undertake the type of service offered by its new "factoring division" which began operating last month to serve the growing Los Angeles garment industry (BW—Sep 14 '40, p. 42).

The new loan unit provides for purchase of the accounts receivable (without recourse) of dress manufacturers, mills, and jobbers. The bank will extend the same service to Eastern concerns dealing with Pacific Coast customers.

The latest Giannini innovation supplements the non-notification accounts receivable service and not only provides immediate cash for manufacturers but also includes credit checking and guarantees against loss on accounts accepted. All collection problems are assumed by the bank. Two types of service are sold. One plan is set up for smaller manufacturers who want to avoid credit problems. Thus, a manufacturer, having received an order, forwards details to the bank which checks the credit status

of the buyer. If the order is approved, the manufacturer agrees to ship the goods within 21 days or ask for an extension. When shipment is made the bank forwards the cash to the manufacturer, then collects from the buyer.

For clients who don't need immediate cash but want to be relieved of credit operations, the bank offers a maturity contract plan whereby the bank pays the funds at maturity date of the invoice (and charges less for the service.)

DON'TS FOR HOSIERY

Federal Trade Commission last week announced proposed trade practice rules for the hosiery industry, and set hearings on the rules for Nov. 19 at the commission offices in Washington. Among other prohibitions, the rules forbid: (1) use of the term "lisle cotton" unless the hosiery is composed of two or more ply yarn of combed long-staple cotton; (2) use of the word "crepe" unless the hosiery is composed of silk yarn in true crepe construction; (3) use of the word "ringless" when hosiery is not made by the so-called "ringless method"; (4) use of such phrases as "pure dye silk" when hosiery is not made exclusively of silk or contains any weighting material; (5) naming of fibers out of their order of predominance; (6) use of fictitious or misleading price tags.

LABOR

Defense Bonanza

A.F.L. Carpenters' Union cashes in with big initiation fees on eastern cantonment jobs. In South it's different.

When the New York World's Fair opened in 1939, the building trades unions saw a lush field. In a somewhat cavalier spirit they regarded the exposition as a carnival and the attitude was, "Boys, it's a circus, dip in." Fair officials, off the record, estimated the first year's union "take" at \$4,000,000. This tidy sum did not represent normal union wages and overtime rates; it was considered purely "extra"—the boodle of a practice which exhibitors openly branded hi-jacking.

Last week, there came to light another union circus but, powering the merry-go-round on which A.F.L.'s Carpenters' Union was blithely riding, was national defense.

• **Gouging Defense**—The facts (which even galled less avaricious Carpenter business agents and reportedly sent A.F.L. President William Green scurrying to carpenter headquarters with a plea to call off the hounds): Non-union workers seeking carpenters' jobs building cantonments at Fort Dix, N. J., are required to pay the Burlington County local of the United Brotherhood of Carpenters and Joiners an \$80 initiation fee. At Fort Edwards, Mass., the union initiation is \$75 and at Fort Meade, Md., \$55. Sealed to what the traffic will bear, applicants are generally permitted to pay \$20 down, \$10 a week until the full payment has been made.

Under union rules, strictly enforced, no rebates are allowed to workers who fail to measure up to the qualifications established by contractors in charge of the Army's construction. A suggestion that job-seekers submit themselves to a trial before any fee is imposed was turned down cold by the union on the ground it could not sanction non-union workmen laboring alongside of union members.

• **Plus Dues**—The construction contract for the Fort Dix job is held by the George A. Fuller Company of New York City, which has a closed-shop contract with the union covering its operations in all parts of the country. For employment at Fort Dix, all carpenters must secure working cards from the Burlington County local before they may be hired. Over and above initiation fees exacted the union demands a work permit fee of \$3 per month to keep a work card "up to date." Representing

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the great bulk of the skilled workmen employed on pressing national-defense construction, the 1,900 carpenters at Fort Dix are paid \$55 a week.

Commenting on the union practice, contractors at the three forts said they had no labor problems and did not feel the unions were being unreasonable in their stand on initiation fees. The contractors took the view that the establishment of work permit fees and dues was purely a matter for determination by the union locals, but that once a man was engaged his tenure would depend on his ability to do a satisfactory job. The contractors admitted, however, that they were hearing bitter complaints from unqualified workers who were discovering that paying union fees did not protect them from discharge.

• **Set-up Different**—Contrasted with conditions at the three northern forts was the situation at Fort McClellan, Ala., where a \$4,500,000 construction program is well under way. There, while an estimated 90% of the workers employed belong to unions, open-shop conditions prevail. Army officers said that union leaders in nearby Anniston, under whose jurisdiction the project comes, have refrained—in the interest of national defense—from insisting on a closed shop. Fort McClellan contractors have agreements with unions and praise the unions' contribution as an "employment agency." The labor organizations obtain and certify men in the crafts needed and have, in the process, gained hundreds of new members, but have not raised their initiation fees or dues.

When construction began, the Birmingham and Montgomery contractors who had been awarded the job failed to get enough skilled hands because of the scarcity of craftsmen in the region—about 5,700 workers were needed. When the unions took over the personnel work it was necessary for them to advertise for men and call on other distant local unions to supply certain types of workers. Fifty plumbers came from Brooklyn.

• **Sit-Down Strike**—In each case of a man without a union card, the unions applied trade tests or otherwise checked his claim to proficiency in the craft. Thus, according to the project manager of the chief contractor, few men who should be laborers at 40¢ an hour got through as plumbers at \$1.25 an hour.

Last week saw another hair-raiser in an arena important to defense—a "token strike" at Allis Chalmers Mfg. Co. in Milwaukee. The one hour sit-down affected an estimated 4,000 workmen when the United Automobile Workers' Union demanded full supplementary pay for all employees who are drafted. The company's offer of one month's pay was termed inadequate by union officials. After an hour's idleness the men took up their work and the unprecedented demand has not been reiterated by the union.

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Labor and Management • 47

Wage-Hour Wins

Supreme Court refuses to review Montgomery Ward case and thus establishes right to inspect company records.

During its last two sessions the United States Supreme Court was busy validating the National Labor Relations Act and upholding (in 24 out of 26 cases) the rules and operation of the National Labor Relations Board. On the court's docket for this session is a string of cases which will determine the legal status of another major New Deal labor agency—the Wages and Hours Administration.

Last week the Supreme Court approved the Wages and Hours Administration's procedure in its first test at the current session.

By refusing to review the appeal of Montgomery Ward & Co., the nine justices let stand an Appellate decision favorable to the Administration. Four other cases involving the same issue raised by Montgomery Ward are pending in the lower courts and the Supreme Court ruling seems to dash their prospects.

Three of the four were newspapers—the Lowell (Mass.) Sun, the Easton (Pa.) Free Press, and the Easton (Pa.) Express—all represented by Elisha Hanson, counsel for the American Newspaper Publishers' Association.

Decided in the Montgomery Ward case was the right of the Wage-Hour Administrator to check payrolls and employment records of an employer in interstate commerce which had been challenged as "unreasonable search and seizure." The Supreme Court's rejection of this position gave the Administration a free hand to demand company records and get them.

On Company Time

NLRB holds employer has no right to ban solicitation by union during working hours and allow other discussion.

Employers were thrice confounded last week at the latest ruling of the National Labor Relations Board. In three cases—affecting the Jensen Radio Mfg. Co. of Chicago, the Bersted Mfg. Co.

of Fostoria, Ohio, the Paragon Die Casting Co. of Chicago, and three C.I.O. unions—the NLRB stigmatized as "an unfair labor practice" a standard company regulation which, traditionally, has been so universally accepted that it has often been written into basic collective bargaining agreements.

• **Talk on Company Time**—The practically universal plant rule which the board taboos prohibits the solicitation of union membership or discussion of union matters during working hours. In the three complaints before it, union members involved had admittedly engaged in union activities on company time and had been discharged for breaching established company policy.

In two of the three cases (Jensen and Bersted) the board held that the plant rules were no justification for the discharges, first because management had failed to check up on supervisory employees responsible for seeing that all workers had been notified of the rules, and, second, because there had been non-C.I.O. union activity during working hours.

In the Paragon case, the board went even further to rule in effect that employers have no right to ban union activity while they permit discussion of other subjects, even though their ban applies only to company property and company time.

• **Executives Startled**—Labor-relations men, amazed, considered the new dicta the most undermining restriction on industrial discipline ever promulgated by a government agency.

In summarizing the evolution of NLRB reasoning which culminated in last week's decision, certain to be the subject of intense litigation, the Labor Relations Reporter cited a number of previous decisions.

NLRB met the problem of company employment rules early in its career. At first the board declined to pass on the legality of company regulations which governed the conduct of employees in the plant. Indeed, in the Montgomery Ward Co. case it even declared that it would not "attempt to interpret employers' rules or pass on their reasonableness."

Later, in its Harnischfeger Corp. decision, the board departed from this doctrine by declaring that the National Labor Relations Act forbids discrimination because of union "activities" of any character so long as the board does not find the activities "indefensible." Its next step away from its original position came in the American Mfg. Co. case, in which it held that "an employer cannot, in the name of a plant rule, coerce his employees for the purpose of discouraging union activity."

• **Grave Doubts**—Next, but still apparently feeling its way cautiously, the board declared in the recent Midland Steel Products case, "We have grave

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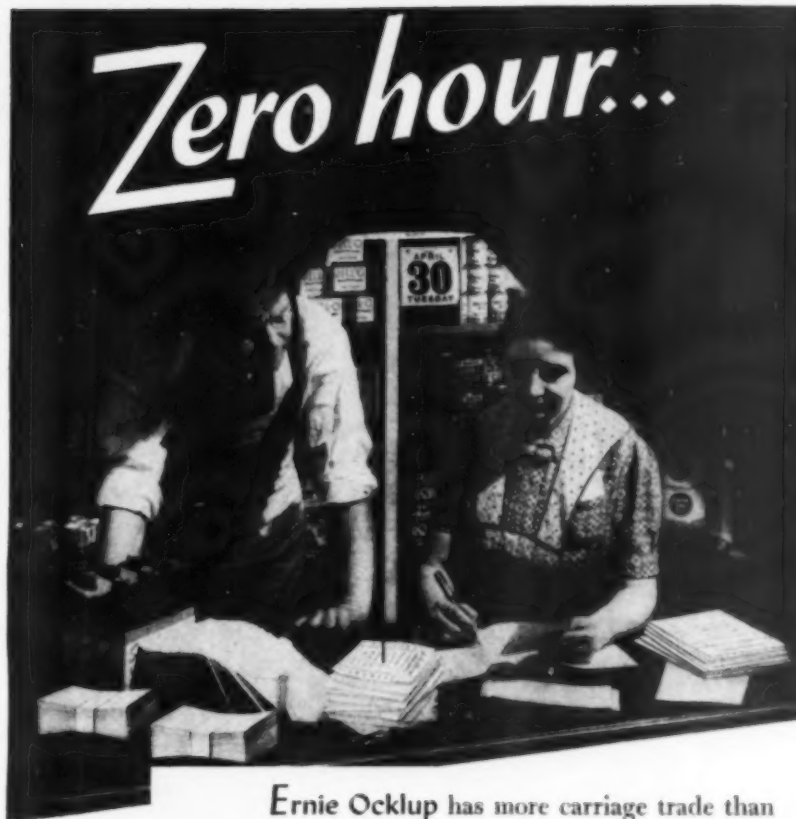
When John L. Lewis came out for Willkie he said he would take a Roosevelt victory as a repudiation of his leadership of the C.I.O. Last week, one local of the steel workers' union in Pittsburgh didn't wait for the election returns. They repudiated him in more forceful fashion. They hanged him in effigy.

doubts that the solicitation of union members on an employer's property on his own time is subject to lawful prohibition by an employer."

Now, in the language of its current decision, the board seems to have boxed the compass by declaring that any attempt of the employer to circumscribe union activity—even though he is paying for the time devoted to it—is "in effect the imposition of a discriminatory rule" since conversations on all other topics are not prohibited.

• **Company Penalized**—To implement its ruling, NLRB has ordered the reinstatement of an employee discharged for union organization work. Because he was fired, the board declared that "the respondent (Paragon) attempted without justification under the Act to outlaw the union as a subject of discussion among its employees, permitting them at the same time unrestricted freedom with respect to other subjects."

Anxious to preserve plant discipline, and yet avoid litigation before the NLRB, plant managers and personnel executives are studying the Paragon decision, which outlaws (among others) clauses in labor contracts between the C.I.O. and United States Steel and General Motors. The first reaction has been to extend existing regulations by posting bulletins prohibiting solicitations of all kinds for any organization—including Red Cross and Community Chest—during working hours.



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Auto Pot Boils

Nash agreement reached;
G. M. has a problem at Flint;
Chrysler negotiations impend;
Ford drive renewed.

The time table of production in the auto industry makes its naturally volatile labor relations particularly tempestuous at this time of the year. That there has been no real headlined "trouble" is explained by the union's preoccupation

with the political campaign. The United Automobile Workers' Union's division of interest between the election and labor problems led it to play down two situations which had explosive possibilities.

A fortnight ago, in a spirit of compromise, U.A.W. signed a new one-year agreement with the Nash-Kelvinator Corp. After the usual period of preliminary wrangling, culminating in the membership voting unanimously to authorize a strike vote at the officers' discretion, it developed that Nash and the union could reach a settlement if both sides were prepared to make a few

concessions. To maintain the peace, U.A.W. trimmed its demands and the company offered to meet them. The resulting agreement represents a few important advances for the union over last year's contract.

• **Nash Terms**—Beyond what they had before, Nash workers get one week's vacation with pay if they have been employed for two years, 24% of the total hours worked during the last year if they do not have two years of service. All employees with 90 days' seniority get a flat wage increase of 3¢ an hour, while starting minimums are unchanged at 75¢ an hour for male, 65¢ for female.

On the knotty problem of farming out work, the union agreed to hold its peace. There has been dissatisfaction over Kenosha fender hands' being displaced by letting out fender fabrication to the Budd Manufacturing Co. at Philadelphia. In return U.A.W. got what, though nameless in the contract, amounts to a virtual closed shop. One novel clause in the agreement provides that "no married woman shall be hired who has visible means of support. The Company and the Union shall decide on any special deserving cases." On the vital question of speed-up, the union's right to participate jointly in re-timing any job is written into the contract.

• **G.M. Trouble**—Concurrent with these developments in Kenosha, the temperature of auto labor has been rising in Flint, where the mammoth Fisher No. 1 plant has kept the union in a stew with General Motors. Once again, as in the "never-a-dull-moment" days when Homer Martin presided over the union, there seems to be a distinct difference between the international union officials and the local membership over how much freedom of action is to be allowed to local groups.

There have been sizable brawls at Flint, where U.A.W.-C.I.O. members have disputed with their fists the right of A.F.L. members to enter the plant. G.M., in line with its policy of tolerating no shenanigans, fired 17 U.A.W. men. Walter Reuther, union official who has established a record for himself as a "moderate" in dealing with G.M., went to Flint in an attempt to settle a potentially dangerous altercation. In effect, the local membership elbowed him out of the picture, proclaiming its right to settle its own affairs. The issue at present hangs fire, with the Flint local apparently as distrustful of arbitration methods as it is of its national officers.

• **Chrysler Demand**—Before Nov. 15, as provided in the contract, the U.A.W. must present its proposals to Chrysler for changes in the existing agreement. It is clear that demands are being formulated, for the union has committees on wages, hours, grievances, seniority, and general contract provisions at work. Chrysler can expect to be asked for an approximate 10-cent wage increase, the



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union shop, and stricter seniority provisions. There are indications that some arrangement for a union-management hospitalization and insurance plan, co-operatively financed, will be requested.

That G.M. and Chrysler contracts are negotiated at different times of the year keeps the Detroit labor arena tumultuous. Instead of one peak in the curve of workers' absorption with union affairs there are two. G.M. workers watch Chrysler negotiations almost as intently as those which affect them more directly. There is fierce, albeit silent, competition between the two groups and between the national union officials responsible for dealing with each company.

• **No Parity**—It is axiomatic that a union must deliver more and more to keep the loyalty of its members. Thus, each contract it signs must be more liberal than the last or it must present convincing reasons. It follows that U.A.W. will take its stand for more from Chrysler than it wrested from G.M. (BW—Jun 22 '40, p 26), just as it was uncompromising in demanding more from G.M. than it had in the now terminating Chrysler agreement. Hence, with expiration dates on contracts six months apart, the union plays one company off against the other and never stabilizes standards at parity.

• **Ford Drive**—While embroiling itself with firms already under contract, U.A.W. has been pressing an organizing drive on its classic adversary—Ford. A full-blown campaign with all stops out, financed by a near-\$250,000 gathered through special assessments, is under way at Dearborn in an effort to harry the Ford Co. into sitting down with U.A.W. for collective bargaining. On the scene this week were 40 organizers under the direction of John L. Lewis's aide, Michael Widman. The union is playing up three tactics: (1) nightly radio broadcasts addressed to Ford workers, (2) publication of a weekly paper for Ford employees, and (3) a nationwide drive to "acquaint the public with the circumstances under which Ford cars are made."

Thus far the drive seems to have made no perceptible progress. Attention has been centered on the endeavor to establish the right to distribute literature outside the River Rouge works.

STATES AS EMPLOYERS
























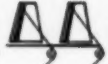
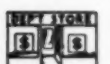










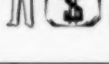





The average earnings of state employees for the nation as a whole are \$108 a month, figures released this week to the Council of State Governments from the U. S. Bureau of the Census show. Employees of western and northeastern states earn the relatively high sum of \$120 a month, while earnings of state employees in the north central and southern states are \$107 and \$94 respectively. These figures are based on earnings reported for January, 1940.

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If you would like to know more about the Minneapolis-Honeywell Continuous Flow System of Unit Heater Control—its advantages and economies—write Minneapolis-Honeywell Regulator Company, 2728 Fourth Avenue South, Minneapolis, Minnesota.

THE FIRST 9 MONTHS ROUNDUP

1940 compared with 1939

PRODUCTION	%	TRADE	%	PRICES	%
 STEEL +38		 CHECK TRANSACTIONS + 3		 WHOLESALE PRICES.. + 2	
 AUTOMOBILES +22		N. Y. C. - 3		 Farm products + 4	
CONSTRUCTION: + 6		140 cities + 8		 Food products + 2	
 Residential +12		 LIFE INSURANCE SALES..... -0.3		 Hides and leather + 8	
 Non-Residential + 9		 CEMENT SHIPMENTS + 4		 Textiles + 9	
 Public works and utilities - 5		 PAINT, VARNISH, LACQUER SALES..... + 4		 Building materials + 4	
 LUMBER + 8		CARLOADINGS..... + 9		 Chemicals + 1	
 ELECTRIC POWER +10		Grain - 4		 Metals + 1	
 HARD COAL - 4		Livestock - 3		Raw materials + 3	
 SOFT COAL..... +25		Coal and coke +22		Semi-Manufactures + 5	
PETROLEUM..... *+11		Forest products +14		Finished products + 1	
 OIL WELLS DRILLED... *+19		Ore +43		 CONSTRUCTION COSTS..... + 2	
 TEXTILE MILL CONSUMPTION		L. C. L. - 2		 DEPARTMENT STORE PRICES + 4	
Cotton + 8		 MISCELLANEOUS + 9		COST OF LIVING + 1	
Silk -26		 RETAIL TRADE		 Food + 2	
Wool - 5		Department store sales + 5		 Housing + 1	
Rayon + 8		Variety sales (\$5-\$1).... + 4		 Clothing + 1	
 CIGARETTES + 5		Rural sales + 5		Fuel and light +0.4	
 CIGARS - 1		 HOME REFRIGERATOR SALES +39		Sundries +0.4	
 FACTORY EMPLOYMENT *+ 7		 WASHING MACHINE SALES + 7		STOCK PRICES - 6	
 FACTORY PAYROLLS... *+14		 OIL BURNER SHIPMENTS +24		BOND PRICES +0.1	
		 PASSENGER CAR SALES +27		 FARM INCOME + 7	
		 TRUCK SALES..... +16		 DIVIDENDS +14	

Business Week's Index of Business Activity + 20%

* Preliminary

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FINANCE

Regulated Trusts

Investment people happy over U. S. control. Law is a compromise written largely by institutions themselves.

This month the country's investment trusts come under federal regulation. And they're happy enough about it, which might seem surprising to critics of the growing bureaucracy in Washington. Fact is, the law is a compromise written in very large measure by the trusts. It imposes only such restrictions as any judicious and honest management would feel were essential in the conduct of its own affairs. But it does serve to highlight 15 years of tumultuous and sometimes curious evolution in the investment-trust business.

Most of us remember how, only a little over a decade ago, the infant investment-trust business began making an important bid for public following. People were shown the records of the British and Scottish trusts and of the pioneers in this country. Many realized that they hadn't the experience to handle their own investments intelligently, and they took readily to the trust idea. • **A Brilliant Prospect**—They were told not only how a trust share represented the way that "diversification can be attained by the person of relatively small means." They were handed glittering

prospectuses showing that these trust shares also hired for each investor experienced and sagacious investment management. And they were told that "the law of averages can be crystallized and a highly trained, thoroughly equipped organization, constantly applying itself, will supervise properly the broad portfolio of investments."

It was a glowing picture. These big trusts would sell on the upswings and buy on the declines, thereby stabilizing the markets. They would buy whole issues of securities from corporations that wanted money, greatly reducing the cost to the borrower. They would spread international good will and improve our trade by lending abroad.

• **Eggs in Many Baskets**—And the sole beneficiary, of course, was the little fellow who no longer had to put all his eggs in one basket. Small wonder that the investor jumped at the chance to pay a premium for management. It didn't matter that the trust shares were priced well above the liquidating value of the assets upon which they were based; smart investment management would quickly rectify that.

This isn't written to discredit the men who organized those trusts. Most of them were sincere. But a vast majority of these investment companies were launched at or near the peak of 1928-29 security prices. They invested up to the hilt, and had little or no money with which to "average down" when the big break came.

• **The Record Varies**—Over the inter-



★ Today—when America girds herself for "total" defense—it's more important than ever for industry to have available a large supply of highly skilled labor.

★ And that's one reason why—in 1940 alone—literally hundreds of leading manufacturers established main or branch plants in New Jersey. In this industrial-minded state are 175 different kinds of skilled labor who prize "the right to work." What's more—due to New Jersey's prompt cooperation with the Federal Labor Training Program—thousands of other trained workers are being graduated from vocational schools monthly.

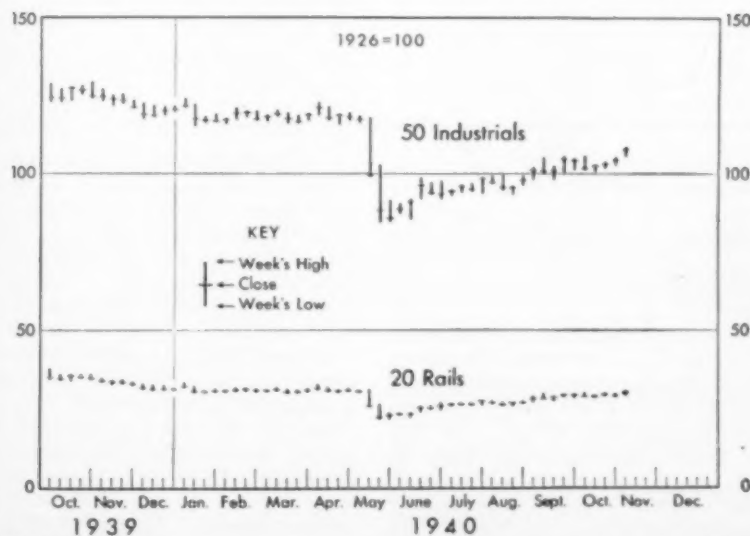
★ Outstanding among the further economic factors in New Jersey are its location in the midst of a metropolitan market of 23,000,000 people . . . low power costs . . . import and export facilities . . . unequalled transportation facilities, by land, air and sea . . . No state taxes on industry . . . no income tax; personal or corporate . . . abundance of pure water for processing. Write for new booklet, "New Industrial Digest of New Jersey." Department B-1, State House, Trenton, New Jersey.



NEW JERSEY

A good place to WORK, to Live and to Play

COMMON STOCKS—A WEEKLY RECORD





HEADS ADVERTISERS

Financial admen, in annual convention at Hot Springs, Va., last week elevated Robert J. Izant (above) of Cleveland's Central National Bank to the 1940-41 presidency. Victor Cullin of the Mississippi Valley Trust, St. Louis, and L. E. Townsend of the Bank of America, San Francisco, moved up in the line of succession as first and second vice-presidents.

vening years, a few of the trusts whose managements were either very smart or very lucky have done much better than markets as a whole. Others have been "taken over" by better managed companies to avert painful liquidation in bankruptcy at depression prices. And a few have fallen into the hands of crooks and have been looted.

Very early in the 1930's the owners of trust shares became even more disillusioned with management than the facts warranted. One result was the popularity a few years back of the fixed trust in which management had little or no authority to switch from one investment to another. Even more important was the tendency to buy shares in the management trust only at a substantial discount from the liquidating value of portfolio assets.

• **Earnings Yardstick**—Today it is no novelty to find the shares of a closed-end trust selling 30% below liquidating value. One reason for that is the disposition of the sponsors to let the market for their shares find its own level (sponsors of the open-end or "Massachusetts" trusts make markets for their shares which closely approximate liquidating figures). Another reason is that you're not buying into a liquidation proposition—the trusts intend to stay in business rather than turn their assets

THE MARKETS

The Election Market

On election eve the stock market closed at the highest level since last spring. The morning after election it opened sharply lower, rallied, and then flopped.

Superficially, that might be said to constitute the stock market's attitude to four more years of the New Deal. Such a statement, however, would overlook many facts. Primarily it would fail to heed that obvious fact that the stock market for a long while has refused to make any real response to improved business and earnings, and this stubborn attitude before the vote was Wall Street's basic reaction to the election.

In short, the financial community had discounted a Roosevelt victory in advance. What happened on Wednesday was to be written off largely as disappointed selling by those who had built their hopes of a G.O.P. comeback just a little bit too high.

Aside from the steel shares and a few other heavy-industry favorites, the main body of industrial stocks has done virtually nothing for some weeks. The averages had been nudged forward largely from the impetus of the rise in prices of a handful of these heavy-industry shares.

United States Steel had gone up almost exactly 10 points since the first of October. Bethlehem had advanced approximately 8 points in the same period. Some of the more volatile steels had done even more spectacularly. Consequently, these shares were more vulnerable to shock than the list as a whole, and they sustained the sharpest declines in the post-election spill. This despite the fact that U. S. Steel at the same moment was reported operating a shade above rated capacity and the industry as a whole was turning out more ingots than at the peaks of 1929, 1937, or 1939. Those canny operators who had anticipated a post-election dip stood by to pick up bargains on Wednesday. Wit-

ness the action of Big Steel's common shares. This issue had closed at 69½ on Monday. It opened with a block of 5,000 shares at 68 on Wednesday morning, then the bargain hunters bid the price back up to above 70. It worked steadily lower as general selling beset the market; the close was at 67½.

Turning from industrial stocks for a moment, the utilities took the real kick in the pants. The market for the power-company shares has been almost entirely a matter of politics for years. Little or nothing had happened since 1933 to improve the outlook for this group until it appeared that the Republican party might elect at least a majority of the House.

Ever since the convention in Philadelphia there has been timid accumulation of power and light shares. In the days immediately preceding the election there was a substantial amount of out and out gambling in the low-priced utilities. Four of these were among Monday's 10 most active stocks; two had been numbered among the preceding week's most active.

United Corp., selling at \$2, was a standout. On a turnover of 62,800 shares last week it moved up from 2 to 2½. On Monday 32,000 shares changed hands at the higher price. And on Wednesday it opened at 1½. A representative group of utility stocks lost approximately 7½% of their aggregate market value.

Security Price Averages

	This Week	Week Ago	Month Ago	Year Ago
Stocks				
50 Industrials . . .	107.7	104.5	101.5	124.7
20 Rails	30.1	29.2	28.9	33.9
20 Utilities	62.5	60.6	59.2	69.6
Bonds				
20 Industrials . . .	89.8	89.7	88.7	87.0
20 Rails	60.8	60.1	60.8	60.6
20 Utilities	100.4	100.5	100.6	101.6
U. S. Governments.	109.2	109.0	109.0	104.3

Data: Standard Statistics except for government bonds which are from the Federal Reserve Bank of New York.

into cash and drive market prices down on themselves. Still another is that earnings aren't spectacular, even when compared to trust share prices which are at a 30% discount. Take Lehman Corp. It was organized just a month before 1929's Black Friday. Yet its total net assets have risen, since the date of its formation, by 25% after adjustment for dividends, while the Dow-Jones averages on the same basis have declined more than 80%.

• **A Typical Discount**—With that record, Lehman Corp. shares had a liquidating value of \$29.20 on Sept. 20 and were selling for only \$19.75. At least part of the reason may be found in earn-

ings. Dividends and interest received in the third quarter, after expenses, came to \$477,700 or 23¢ a share on the 2,071,980 shares outstanding. And, after net realized losses, this slender figure is cut to 7¢ a share. Moreover, there remained a net unrealized depreciation of assets totaling \$6,040,158.

Lehman Corp.'s growth record was exceeded in the closed-end group only by National Bond & Share. General American Investors trailed Lehman closely, and Capital Administration just about held its own. Others might be cited with declines from 9% to 56%.

• **Three Months' Gain**—Third-quarter operations of investment trusts this

year generally resulted in enhancement of portfolio assets as compared with June 30 although most failed to reach the level of Sept. 30, 1939. A few—such as Aeronautical Securities, which favors war babies—were ahead of the 1939 date. Changes in holdings were the smallest for a considerable time. Those trusts which bought on balance just about offset those which added to their holdings.

The way the tax laws now stand, the Massachusetts-type trusts have an advantage over their closed-end friends. And it's no secret that the closed-end boys, now that all trusts are under uniform federal regulation, hope that they can get an equalizing adjustment in the matter of taxes.

SEC Innovation

Regional offices will be allowed to pass on new issues if tryout in San Francisco and Cleveland is success.

Attempting to facilitate public financing by small and medium-sized companies, the Securities and Exchange Commission is launching an experiment in wider powers for its regional offices. Over the next 11 months, the S-men in Cleveland and San Francisco will receive authority to pass on new issues of securities. If the plan proves successful, the SEC hopes to expand it to cover all the regional offices.

The idea is that any corporation in either the Cleveland or San Francisco area will now be relieved of trouble and expense incident to clearing registration statements for new issues through the SEC headquarters in Washington. As the commission envisions the plan's operation, the regional men will be able to help the issuing company in preliminary arrangements before registering new securities, they will be able to pass on details of the registration statement, and the whole process can be expedited.

• **Technical Drawbacks**—This is a program which has been under consideration for a long time. It has the full blessing of the investment bankers who underwrite new issues. Yet it has presented a variety of technical details which necessarily have held it up.

Here is the nub of the problem. The SEC has a division which for many years has been reviewing and passing on registration statements for proposed issues of stocks and bonds. Men in this division have become experts. Bankers know whom to talk to in Washington when they have a problem. Now, in a change-over to a regional basis, can the Washington office spare to the regional office enough talent to do the job right, and can the issuer be sure that the men in

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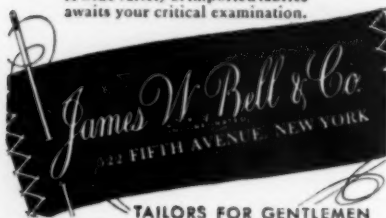
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the regional office have the authority to act speedily and effectively in approval of registrations?

• **Delegating Authority**—The proof of the pudding will be in the eating. Competent investment bankers agree with the SEC that the regional clearance plan will be very helpful if the issuing company can actually get the experienced and efficient attention in the regional office that it could in Washington. If, however, the regional authorities find that they must, in the nature of things, refer a multitude of questions and decisions to Washington for final determination, it is feared that the process will be subject to delays and inconveniences which outweigh the expense and loss of time entailed in clearing registrations through Washington.

In any event, the issuing company in the Cleveland area who is dealing with banking houses in Philadelphia or New York or Boston or Chicago probably will not find his securities registrations going into the local SEC office. Bankers in these cities are accustomed to clearing through Washington. But if an issuer in Cleveland or San Francisco chooses local bankers, the probabilities are that the underwriters will at least give the services of the local SEC office a tryout.

COMMODITIES

Cotton "Strength"

Firmness of market and hiding of surplus traceable to slowness with which new bales show up in loan total.

American farmers up to Oct. 28 had taken 1,126,570 bales of cotton harvested this year around to authorized agencies and borrowed nearly \$55,000,000 from Uncle Sam. These are the familiar "ever-normal warehouse" loans which are designed to let farmers hold surpluses in time of plenty so as to be able to market them when larger demand renders prices more attractive.

Pledging of 1,126,570 bales of cotton isn't much of a factor out of a crop of 12,700,000 bales. To begin with, the United States will smash all records if domestic consumption in the 1940-41 cotton season hits present predictions of 8,500,000 bales. The export market has dwindled to a shadow of its former self, and it's probable that it won't account for more than 1,500,000 bales.

• **Hiding the Surplus**—The demand figure, on this basis, is put at 10,000,000 bales for the season which started last Aug. 1 and runs to the end of next

July. That would leave a surplus of about 2,700,000 bales out of 1940 production (not counting some 11,000,000 bales of old cotton left over from previous years and stored under government loans previously extended or owned outright by Uncle Sam). Cotton so far pledged from the 1940 crop wouldn't even halve the 2,700,000 surplus. Moreover, mills and export merchants have not yet bought any major part of the 10,000,000 bales they may ultimately require, so that the surplus at the moment is far more than a mere 2,700,000 bales.

Why, then, has the cotton market been firm to strong for so long a while? The fact is that buyers in the spot market are complaining that they can't get cotton. And why, with such a surplus, cannot buyers find cotton?

• **Tardiness of Reports**—The answers are to be found in the slowness of cotton showing up in the loan total. For one thing, farmers will hold their newly ginned bales a few days to see whether they want to sell at open-market prices or whether they want to put them into a warehouse and make application for a federal loan. There are further delays between the date of warehousing and the date of application. Then the loan application has to be approved and the money advanced before the Commodity Credit Corp. announces the pledging of this stored cotton.

From a Texas correspondent, we get word that these delays are of the utmost importance in trying to understand today's market. Farmers in the Lone Star state have taken a much larger part of their crop to the government for loans than shows up in the present figures. These planters just can't be convinced that there isn't going to be a war boom in cotton, no matter how often the trade experts and the Department of Agriculture economists tell them that the export market has been shot to pieces.

• **Nearly 70% Pledged?**—Texas grew almost 3,400,000 bales of cotton this year. Most of it has been ginned and estimates that as high as 60% to 70% has gone under the loan are heard. Yet, up to Oct. 28, the official government figures showed loan cotton in Texas as only 669,015 bales.

Credence is lent to this theory of tardy reports by the speed at which the loan stock rose in the last few days of October for the country as a whole. Between Oct. 21 and Oct. 28, the gain was nearly 400,000 bales. And, on the final business days of the month, the rate of gain was about 31,000 bales a day.

Inasmuch as Texas is the largest cotton producer and also harvests much of its crop earlier than other parts of the belt, it is not surprising that loan cotton in Texas on Oct. 28 should comprise more than half of the total.

BUSINESS ABROAD

War Labor Tangle

Canada discovering need of unified control policy to avert delays due to wage disputes and union rivalry.

OTTAWA—Fourteen months of experience have proved that Canada needs some kind of labor control in the war industries if the Dominion is to fulfill on schedule its huge supply obligations to the British and meet its own defense requirements. So far no decisive action has been taken. Control will come, but insiders don't now look for it until well into 1941. (If, with the election over, the United States applies even modest labor controls to its defense program, Canada's action will be hastened.)

• **Up to This Point**—Here is how Ottawa has handled the war labor situation to date and a brief appraisal of the effectiveness of each move:

(1) A labor-relations officer from the government has been attached to the Defense Purchasing Board (results good, but limited).

(2) A code of principles which the government piously "hoped would influence labor relations and work and wage conditions" was proclaimed last June (ineffective, and forgotten almost as soon as it was announced).

(3) The Dominion's Industrial Disputes Act—normally applicable to public utilities—has been extended to cover the war industries (partly helpful, partly harmful in results).

(4) A National Labor Supply Council was set up in June to act in an advisory capacity (limited usefulness).

• **More Controls Needed**—When by October the combined results of these experiments had proved to be completely inadequate in the face of an increasingly troublesome labor situation in the war industries, Ottawa set up an Interdepartmental Committee on Labor Coordination to formulate provisions for training new workers, to devise methods of eliminating competition among employers for skilled workers, and to plan for the transfer of workers from non-essential to essential industries. But this move is not likely to be very effective because the committee has no mandatory authority. It can only make recommendations.

Necessity is likely to be the determining factors (apart from any precedent that United States action may provide) in bringing about adoption of a definite labor policy for Canada's war industries. Disputes over wages and working hours

are occurring with increasing frequency. One of the most recent was at the vital plant of Canadian Vickers, at Montreal. Generally the strikes have been settled through conciliation boards under the Industrial Disputes Act but settlements are not permanent and they lack uniformity. At the end of October recommendations of a conciliation board had been rejected by an armament company, and the Vickers strike was in flat violation of the Industrial Disputes Act.

• **Rival Unions Compete**—It has been established that in a number of cases the disputes have resulted from the competitive activities of rival labor organizations. Canadian branches or affiliates of the A.F.L. and the C.I.O. are competing for membership in war-industry plants such as shipyards which are undergoing large payroll expansion. In Quebec plants, local Catholic unions increase the rivalry. Main inducements to membership are assurances of wage increases and attractive working terms. One strike in progress at the end of last month involved riveters who were receiving \$1.45 an hour but were demanding wage increases.

Among both employers and workers in the Dominion the chief complaint against wage settlements which have been handed down under the Industrial Disputes Act is their lack of uniformity.

A conciliation board will recommend a 15% increase for coppersmiths in one plant and another board will recommend a 25% increase for the same class of workers in another.

• **Wages Are Up**—Wartime wage increases have been largest in the armament, aircraft, and shipbuilding plants. Under conciliation-board awards, the increases have ranged from 6% to 29%, compared with a maximum of 15% in industries producing mainly for civilian consumption.

Possible basis of a national wartime wage policy, when circumstances eventually force Ottawa to take definite action, may yet be found in settlements "for the duration" which have been recommended by conciliation boards and accepted by employers and employees in the coal-mining industry of the West and in one or two units of the shipbuilding industry. These settlements have frozen wages at current rates and compensated workers with "cost-of-living bonuses." These bonuses call for supplementary pay at the rate of 2¢ an hour for every 5% increase in living costs, the variation in these costs to be checked every six months.

Accepted basic living cost for a family of five is \$18. In the coal-industry case mentioned above, because housing, heat, and light are provided by the employer, the cost of other necessities is based on a \$12 rate as of Mar. 31, 1938, when the current wage scale was fixed in an agreement. On Aug. 30, living costs had risen in the district only 4.5% over the



DEFENSE IN BRAZIL

President Vargas got first-hand evidence about Brazil's defense program recently when he inspected the shipyards—where 27 ships are under con-

struction—at Belem (above), port city at the mouth of the Amazon, after a trip down the rich Amazon valley, which he is making plans to develop. This week Brazil celebrates the tenth anniversary of the Vargas regime.



London business still takes bombing in its stride. Above, American Express Co. comes through a tough one.

basic level; so no bonus is due before Dec. 31, 1940, at the earliest.

• **Living Cost Stabilized**—This principle has been recommended by conciliation boards in other cases but not yet adopted. Canada's wartime prices and trade control prevents any sudden jump in the cost of living. Although wage scales for some skilled trades are close to, or at, the peak level of the 1928-30 period, basic living costs even now are about 15% below that period.

At present a labor shortage is a problem in only a few skilled trades such as tool making and coppersmithing. Because the apprenticeship system is not widely used in Canada, the labor section of the War Supply Department has devised a substitute for it which is being tried out in the aircraft industry in what is popularly known as the "production workers" plan. Under it, new workers with little or no experience are placed in one of four classes—A, B, C, or D, according to their qualifications, and as they gain in experience and acquire skill may move up from D and C to B and A.

• **How It Works**—Class A comprises workers with less skill and experience than is necessary for the classification of journeyman. Class D is for boys under 18 who must spend from three to nine months in this class at wages of from 25¢ to 35¢ an hour before being advanced to Class C or B, for which wage rates are 40¢ and 50¢. Promotion to Class A brings a wage of 60¢ (against 75¢ and 80¢ for journeymen). In some aircraft plants there is a limited apprenticeship system. For other war industries the main source of workers with elementary training is the Dominion-provincial youth-training scheme, established three years ago.

Japan Is Worried

Cold survey of nation's economic resources reveals it is in no shape for a struggle with United States and Britain.

In Shanghai late one afternoon last week, a crowded tender steamed out into the teeming Whangpoo River carrying 200 Americans out of the Orient because of possible trouble.

Everybody was nervous; the Japanese, riding on the crest of the wave in Shanghai, had staged an impressive aerial demonstration just before the departure. Even as the tender nosed its way down the Whangpoo to the waiting President Pierce, nine Nipponese planes flew directly overhead. It was dark before the tender surged past the blacked-out Japanese battleships, which, since 1937, constantly "guard" Shanghai's harbor. A few visitors were allowed on the Pierce up to the time of sailing, but the last persons off the liner were Japanese customs inspectors who had passed their time in bored indifference reading old steamer schedules until the signal for up-anchor was given.

At heart and at home, Japan is far less self-confident over the Pacific outlook. Alone, over his rice wine, every Japanese these days asks himself: If war comes in the Pacific, how well is Japan prepared to fight it out? And here is how knowing observers in Tokyo appraise Japan's economic position in the fourth year of the China incident, which may turn out to be the first year of a struggle for supremacy in the Pacific.

• **Foodstuffs**—Japan's self-sufficiency in foodstuffs has been impaired by growing lack of labor, fertilizers, fuel, machinery. Output of rice, the most important food staple, has declined every year since the outbreak of the China incident; from 19,000,000 tons in 1937-1938, to 18,500,000 tons in 1938-1939, and to 17,100,000 tons in 1939-1940. Figures include the Korean and Formosan crops. This year's crop is expected to fall short of last year's by more than 8%.

• **Industrial Production**—The composite Japanese Department of Commerce index of mining and manufacturing production for the first five months of 1940 (all that are available) has consistently lagged behind the corresponding figures of last year (1931-1933=100):

	1939	1940
Jan.	170.5	161.2
Feb.	172.5	163.1
Mar.	189.3	177.5
Apr.	184.8	172.7
May	186.7	176.3

• **Labor Efficiency**—Figures by the Tokyo Bureau of Statistics disclose that

Japan's industrial labor force has swelled 32% since the outbreak of the China incident in July, 1937. In some of the defense industries the increase has been much larger; 131% in the machinery and tool industry, 79% in the vehicle, aircraft, and shipbuilding industry, and 55% in the metal industry. But figures by the same government bureau reveal the strange fact that workmen in these supposedly high-gear defense industries work less man-hours a month now than they did three years ago, probably because there is not enough raw material, fuel, and electric power to keep the productive machinery going at full blast.

• **Stocks**—No information regarding stocks of raw materials is available beyond vague official statements that the stock position is "by no means serious." But despite the slow supply of raw materials to industrial plants and the decreasing volume of railroad shipments, there are many reasons to support the belief that Japan still has a considerable stockpile of industrial raw materials, built up probably at the sacrifice of immediate defense requirements. The government doesn't seem in a hurry about withdrawing nickel coins from circulation although nickel is supposed to be one of the metals most badly needed at the moment.

• **International Trade**—Japan's international balance of payments has grown increasingly adverse since 1937, mainly as a result of heavy raw-material imports from the western hemisphere and the British Empire and mounting shipments of manufactured goods to the yen trading area (Manchukuo and China) which does not provide foreign exchange. During the first six months of 1940, Japan ran up an adverse trade balance of ¥461,000,000 in transactions with countries other than Manchukuo and China, as compared with ¥394,000,000 and ¥390,000,000 for the like period of 1939 and 1938. In the process Japan sacrificed nearly all of her negotiable gold reserves.

• **Trade in War**—In the event of a war pitching the United States, Great Britain, the Netherlands, and China against Japan, Tokyo's economic "Lebensraum" would undergo a drastic curtailment. Assuming a successful Japanese thrust into the Philippine Islands and Dutch East Indies, and complete mastery of French Indo-China, Japan would be able to draw for war materials on these three territories, besides China, Manchukuo, Soviet Russia, and, to some very small extent, Germany and Italy. The entire western hemisphere, Asia west of Singapore, and Oceania would most likely be inaccessible to Japanese merchantmen.

Japan's position in regard to individual strategic materials is as follows:

• **Mineral Oil Products**—Although at present accounting for only 15% of

Japan's imports, Dutch East India, in a pinch, would be able to meet Japan's entire demand unless wells should be irreparably damaged by the Dutch.

• **Tetraethyl Lead**—Used by the Japanese to step up the octane ratings of their airplane fuels, this chemical is obtained from the United States and is, at present, not produced in Japan. Germany may volunteer with a substitute, to be shipped via Siberia.

• **Iron and Steel**—Malaya and British India. Japan's most important sources of iron ore and pig iron, would fall outside the safe trading sphere in war. Ore available from China, the Philippine Islands and mines in Japan would not yield more than 1,300,000 tons of pig iron, less than one-half of Japan's present production.

• **Non-Ferrous Metals**—Japan would have to go without nickel (produced in Canada and de Gaulle-governed New Caledonia), but there is still a small reserve of coined nickel. Japan is self-sufficient in chromium (which may be substituted for nickel in several important alloy applications), and chromite ore from the Philippine Islands may leave an exportable surplus for Germany. Copper is not mined in the area assumed to be under Japan's control, except in Japan and the Philippine Islands. This would meet about half the Japanese demand. There is no important production of lead, and unless Japan gains access to the lead mines of Burma, she may have to go without this vital strategic material, except for the small amounts produced at home.

Japan has a considerable zinc smelter capacity, but the ore is for the most part obtained from the United States and Mexico. Burma is the only important producer in Asia. While Japan may be able to obtain a large amount of tin ore from Dutch East India, there would be difficulties in refining it, the only important smelters in Asia being located in Malaya, presumably beyond Japan's reach. Japan will control most of the world's tungsten, of which China is the most important producer.

• **Light Metals**—Japan produces all the magnesium she needs for airplane production from seawater (BW—Sep21'40, p20); and bauxite, the aluminum ore, is available in Dutch East India.

• **Textiles**—Japan will have to forego wool with the exception of the mountain wool of Mongolia, fit only for carpet making, and the production of synthetic fibers will be handicapped by the shortage of pulp (now imported from the United States and Canada) and industrial salt (from Africa). Cotton from China may help Japan over the worst shortage, and stocks of unsold piece-goods are considerable. Cordage fibers (jute, hemp, kapok) are within Japan's reach in the Philippine Islands and Dutch East India, and if Japan puts a thumb on these sources, the



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United States may be cut off entirely. Silk, strategically important as parachute material, is monopolized by the Axis in Japan, China, and Italy.

• **Rubber**—French Indo-China alone produces more crude rubber than Japan can use, and more may be hauled in from Dutch East India to help the rubber-starved allies in Europe and, perhaps, Soviet Russia.

Native Cheese

European types, cut off by war, are replaced by products of the two Americas. Roquefort most likely to come back.

Two weeks ago, the French producers of Roquefort cheese—the Société Anonyme des Caves et des Producteurs Réunis de Roquefort—sought a temporary injunction in the New York State Supreme Court against three Argentine cheese manufacturers and their New York import agents. The syndicate charged that similarity in the labeling and packaging of the Argentine product—a blue-mold cheese, much the same in flavor and appearance as Roquefort but made from cow's milk rather than from sheep's milk—constituted an unfair trade practice.

A restraining order was handed down last week and Argentine interests must in the future refrain from using red-lettered foil for wrapping their product. But to the cheese trade the incident served to highlight the disastrous effect of the war on European products traditionally exported to the United States.

• **A Drop to Zero**—Imports of Roquefort, which totaled 1,600,000 lbs. in the first six months of 1940, dropped to zero after the fall of France, and European manufacturers of this and other types of cheeses are having an uphill fight to retain markets against the encroachments of manufacturers providing acceptable substitutes both here and in South America.

South American production of European-type cheeses is of particular interest in view of present efforts to implement hemispheric-defense plans by increasing two-way trade. Big difficulty has been in finding United States markets for Latin American products, but Argentina in particular, and Brazil to a lesser extent, are in a position to ship increasing quantities of "name" cheeses to our market. Gruyère, Parmesan, Limburger, Tilsit, Holanda, Sbrinz, Romano, Gouda, Reggiano, and "Danish blue"-type cheeses are all produced in the Argentine and Brazil, and are finding an expanding market in the United States. Imports of blue cheese from the Argentine jumped from 313 lbs. in 1939 to 123,908 lbs. in September of 1940.

• **Packaging Problem**—During August a total of 434,570 lbs. of Argentine cheese of all types entered the United States. The chief deterrent to heavier importations in the past has been lack of uniformity in standards and packaging of the South American product—a condition rapidly being overcome through the cooperation of importers in the United States.

Not only is the importation of cheese from Latin America being stimulated by the blockade, but domestic production of foreign-type cheeses has gone up 50% to 85%. New York State is producing Bel Paese by the same process used in Italy for the last 58 years, and Romano, Provolone, and Gorgonzola are all produced in the northern dairy states.

The last shipment of French Camembert arrived in the United States in May, but expansion of domestic production of Camembert, which has been made here for 35 years, should prevent any real shortage of this type. Swiss-type (Emmentaler) cheese has been made in America since 1870 and now represents about 4% of our domestic production. With the exception of Roquefort, practically every foreign cheese of any market significance is now being acceptably duplicated in this hemisphere.

• **Roquefort a Special Case**—Genuine Roquefort seems destined to survive the blockade in most world markets, because of special conditions of manufacture, but more easily duplicated cheeses may repeat the example of Munster, Limburger, and Cheddar, imports of which are negligible because of the quality and abundance of the domestic product.

Fundamental difference between blue cheese and Roquefort is the use of sheep's milk in the latter, and sheep's milk is not available in sufficient quantities in conjunction with other necessary natural factors to make its production in this hemisphere practical. However, the flavor of both types derives from the same source—an edible mold, *Penicillium roqueforti*, development of which in the cheese is influenced by the circulation of cool, moisture-laden air. This process occurs naturally in the limestone caves at Roquefort, Aveyron, France, and cheese from these caves has an export history going back 2,000 years. It was being shipped to Rome during the winter months when all Gaul was still divided in three parts.

By boring caves out of the limestone cliffs above the Mississippi, and by using cow's milk, Wisconsin, Minnesota, and Illinois cheese makers have established a flourishing industry producing blue-mold cheese scarcely distinguishable from Roquefort and preferred by many to blue cheese from Denmark, which formerly supplied us with 95% of the blue imported into the United States. Imports of Danish blue reached 2,357,000 lbs. in 1939 and ceased with the German occupation of Denmark.

PROFIT & LOSS

Muscling In

Santa Claus, Ind., is getting some new competition for that Christmas mail business and publicity it starts to get about this time every year. The Board of Commissioners of Beltrami County, Minn., held a special election last week in which the voters decided (44-30) to establish a town to be known as North Pole, Minn.

Beech-Nut Makes It Legal

If you're a regular reader of the Beech-Nut coffee ads, you know by now that the wife of practically every big movie star in Hollywood makes lousy coffee. In the current ads it's Charles Laughton who's complaining. Charles is sitting at the breakfast table in an epic sulk. His eyes are squinted up. His chin is buried in his chubby fist. And his lower lip is pushed out so far it looks like the Goodyear blimp. He is shoving a full cup of coffee into his frau's phiz. She is looking hurt.

"But Charles," Mrs. Laughton is saying, "you've hardly touched it."

And Charles snaps back at her in his best "Mutiny on the Bounty" manner, "Zounds! One sip alone is more than mortal man can bear."

"It can happen at any breakfast table," the copy explains—meaning, of course, any breakfast table there isn't any mellow, mountain-grown, Beech-Nut coffee on.

Something else happened at this breakfast table though—something Mrs. Laughton just told about in an interview last week. She got quite a shock when she first saw a proof of her picture in the ad, she said, because, somehow or other, between the time the picture was taken and the ad finally appeared in the papers, the Mrs. Laughton in the ad had got a wedding ring put on her left hand. Mrs. Laughton was sure she wasn't wearing the ring when the picture was taken, because, though she had been married to Mr. Laughton for all of 12 years, she'd never had a ring. It was quite a surprise to have it turn out to be Beech-Nut coffee that finally gave her one.

Switch

Anyone who's ever read the Help Wanted ads in the papers knows how tempting some of those Sales Help Wanted ads can be. But someone who's acted on them can probably appreciate all the more the wry humor of this ad which ran last week in the Personal Notices in the New York Herald Tribune: "College graduate, 26, seeks regular job at steady salary to make up for

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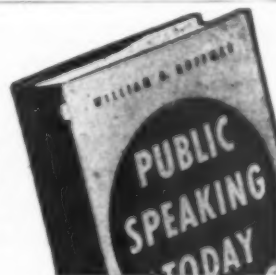
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losses incurred while chasing liberal commissions in essential car."

What's In a Name

"If your puppy is the eager darling without an inhibition in his soul," Saks Fifth Avenue advertises—you can get the spots out of your rugs with a product that goes by the coy name of Badfido.

Election Notes

The 1940 presidential campaign belongs to the ages now, but there were some sidelights on the campaign, in its last week, which deserve to go to the ages along with it.

There was, for instance, the announcer on station WQXR, New York City radio station whose programs are almost entirely made up of recordings of good music. In between a couple of good symphonies last Sunday a WQXR announcer stepped in to tell the music lovers about President Roosevelt's Cleveland speech of the night before. He quoted short sections of the speech, including one about "certain forces within our national community composed of men who call themselves American but who would destroy America. They are the forces of dictatorship in our land—on the one hand the communists, and on the other the Girdlers." He stopped and let the words sink in a minute. Then, apparently concerned lest his listeners be as puzzled as he, he added, "The President did not explain the meaning or origin of the term 'girdler'."

There was the NBC announcer too, that Variety told about, who said on the air that Wendell Willkie had been ad libbing in one of his speeches. A hurry call came into the studio from an irate Republican right after the broadcast. "I am an American," he bawled, "and I believe in the American way. What we Willkie people want to know is what 'ad lib' means!"

And there was the gentleman who got arrested in New York for trying to put a Roosevelt button in a subway turnstile—instead of a nickel. He told the cops the only reason he used a Roosevelt button was the Willkie buttons were so big they didn't hammer into the right shape for use in subway turnstiles. The Secretary of the New York Board of Transportation was quick to refute the gentleman's claim, however. He said the city subway had extracted 175 Willkie buttons and 50 Roosevelt buttons from its turnstiles during the campaign.

Finally there was the Institute of Life Insurance, whose monthly bulletin appeared just before the close of the campaign, with reassuring news for those whose candidate lost the election: "U. S. Presidents Don't Live as Long as Defeated Candidates, Study Shows."

THE TRADING POST

Without Comment

The following short story, contributed by the president of a manufacturing company on the Pacific Coast, is offered as is without comment.

"Charlie wears overalls and works alongside his four men.

"He got into business in 1931, which was a good year to get out of business, but Charlie didn't know that.

"Charlie's lot, like that of other small business men these seven years, hasn't been easy. But he's a fighter and has carried on, keeping his small organization together, satisfying his customers and hoping for better times.

"Charlie's customers like him and admire his courage. Sometimes they advance him money to meet his payroll. In recent years he's just been getting by. What with taxes, social security, high wages, it's been tough going.

"Charlie's a good guy. Whenever his customers got rushed, they'd holler to Charlie to step on it. During busy seasons his truck would back up to some of their doors four and five times a day.

"Charlie felt things were improving.

"If he ever thought about interstate and intrastate, he didn't think hard. All his customers were close by, just a few blocks away. He was an intrastater sure enough; anyone could see that.

"But no.

"Came the other day two gentlemen from the Wage Hour Law Administration Inspector's office. Just checking up the 'gadget' business and it was Charlie's turn. A few courteous questions, some figuring, and then the bombshell. If Charlie had been thinking, he'd been thinking wrong, said the inspectors. Since his biggest and best customer did an interstate business, that made Charlie an interstater too. That was law, or at least the Administration's interpretation of it. And because he was an interstater, Charlie was subject to the Wage-Hour Law and owed his fellow workers overtime pay of \$1,400.

"Thus spake the inspectors as they left Charlie and his four bewildered men."

Behind the Assembly Line

Sometimes it seems to me too bad that the American people so often hail the "assembly line" as the symbol of their industrial efficiency. It makes the whole thing entirely too simple. For it brings to the mind's eye a stream of autos, refrigerators, vacuum cleaners, and all the paraphernalia that industry contributes to modern civilization tumbling off the end of a belt with the greatest of ease.

And all that makes us forget that the secret of mass production and low prices is not the assembly line. That is merely the logical culmination of a long, complicated, and amazingly efficient operation. It's the end of the line. The real secret of American industrial competence is the interchangeability of manufactured parts; i.e. the ability to turn out at high speed thousands of parts, each so precisely alike that they can be picked up at random and built into machines of surpassing performance and incredibly low price. That's what makes possible the assembly line with all it has come to mean to modern life.

I was reminded of this when I read the "Adventures of a White Collar Man" in the Saturday Evening Post. It is Alfred P. Sloan's story of his industrial career, first with Hyatt Roller Bearing and then with General Motors. In it he related this incident:

"... three Cadillac cars, taken from the dockside by Royal Automobile Club officials in London, were dismembered and jumbled into a pile of parts. Thereafter, Cadillac mechanics, with wrenches, screw-drivers, hammers and pliers, swiftly assembled three cars, which were forthwith started on a track test—for 500 miles. All cars finished with a perfect score. Nothing, I think, ever did more to establish the reputation of American cars.

"This may seem inconsequential," comments Mr. Sloan, "but truly it is of great importance, because the ability to produce large quantities of parts, each one just like the other or sufficiently alike, within a predetermined allowance of inaccuracy, is the foundation of mass production, as we understand that term today. This conception has been the basis of American predominance in such methods of production. It is definitely an American approach, and even today it is still limited in its application elsewhere as compared with that in American industry."

In short, American industrial efficiency is not based, as some people think, on a rough and ready drive for quantity regardless of quality. Exactly the opposite is true. Mass production on the American scale is possible only because of the exquisite precision of hundreds of processes on hundreds of separate parts. That's what makes it possible to put those parts together at random and have them fit the first time without costly and laborious filing and fitting. And to keep doing it at high speed.

So the symbol of American industrial efficiency is the amazing perfection of machine production rather than the more spectacular assembly line. W.C.



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THE TREND

THE PRESIDENTIAL PROBLEM AHEAD

On July 6, months before the election campaign got hot, Business Week observed: "Time is playing into the hands of the next President of the United States. Not only will he have the power to make historic decisions governing the country's dealings with European nations, but also he will have an opportunity to foster a tremendous expansion in domestic business." That opportunity is still up to Mr. Roosevelt.

The on-the-surface economic indications, taken alone, point to clear sailing ahead. Expansion in industrial activity began well before the election. Under the spur of the national defense program, the nation's mines and factories are producing a larger volume of goods than ever before. Employment, as the chart on page 13 shows, is only a bit below the highest level reached in 1929. (The anomaly between record production and not-quite-record employment is explained by technological improvement in the last decade.)

• **But, the times ahead** are not nearly as promising as the statistics. The country faces a tremendous task: to produce more and more and consume less and less. That is the economic paradox of a defense or a war economy. As we turn out airplanes, and tanks, and battleships, and armored cars, and cannon, and ammunition; as we turn out the men and things necessary to carry on a war, industrial energy—plant, man-hours, and brains—are diverted from production of goods that the civilian population can consume.

Yet people have to be paid for what they produce, whether they produce gunpowder bags or silk stockings. Which means, of course, that the government, or the companies that operate on government orders, will be paying salaries and wages; and there will be profits on the goods produced.

All in all, as a consequence of the national-defense effort, the volume of purchasing power will perforce increase. And this purchasing power will of course seek an outlet for expenditure. Which is where the President's tremendous opportunity comes in; for a President must be at once an administrator, a politician, and an economist if the paradox of producing more and consuming less is not to lead to uncontrolled speculation and price inflation—and what's worse, a slowing down in production itself.

• **So far the Administration** has dealt only casually with the economics of the national-defense effort. When France capitulated, Mr. Roosevelt's major idea was to get Congress to appropriate money to expand the armed forces, and then to get production under way. Economic planning—how to finance the program—was a secondary consideration. But the problem is not postponable indefinitely. Some plan must be developed which not only will

help defray the cost, but which also will tend to keep prices from getting out of hand.

In the hurly-burly of getting things done, this must be remembered: Every time the government spends money on articles for war, two things happen:

(1) Man-hours and plant are withdrawn from potential production of "peacetime goods."

(2) Money—purchasing power—is put into the hands of workers.

• **If the government** collects in taxes the full amount of the war expenditures, then the amount of money, or purchasing power, disseminated is canceled out. The government gives it to Peter (the producer or worker) and takes it away from Paul (the taxpayer). Thus, because no net increase in purchasing power has taken place, no upward pressure on prices results. People have worked to produce the goods necessary for the armed forces. But when taxes cancel disbursements, the people (as a whole) have received no tangible payment.

To date, no effort has been made to collect taxes to the full amount of expenditures. A balanced budget, which that would mean, is still far out of sight. In this policy of deficit financing of defense, the Roosevelt Administration—consciously or unconsciously—has adopted an economic policy which increases purchasing power and hence stimulates the demand for consumption goods.

• **For a time, our factories** will be able to increase output of clothing, furniture, and other types of consumption goods and thus satisfy the demand. But if national defense spending continues much longer without any considered effort to reduce federal deficits (by increasing taxes or reducing expenditures in other categories), then this country will have the base for price inflation: an increase in the supply of purchasing power without a corresponding increase in the supply of goods, for, clearly, if more and more of the country's industrial energies go into armament, then less and less will be available for production of consumption goods. Result: People will be inclined to bid for what goods are available; in the scramble for goods, prices will rise, and the dollar will buy less.

Thus, no matter how the defense program is financed, the end result is that ultimately people may have to work harder without a compensating increase in consumption goods. That situation calls for delicate handling from the White House. For, if the social and economic burdens which are imposed by the national-defense effort are not distributed equitably and rationally, inefficiency is bound to creep into the program. Neither individuals nor corporations work for the love of it.

The Editors of Business Week

Business Week • November 9, 1940

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